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FOREIGN BROADCAST INFORMATION SERVICE

Daily Report

Annex

East Asia

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Japan

Policy Set on Russian Cooperation, Islands

OW2708134392 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Aug 92 Evening Edition p 1—FOR OFFICIAL USE ONLY

[Text] The government has decided on its policy to deal with protocols relating to Japan-Russia cooperation, which are being readied for conclusion at the time of Russian President Yeltsin's visit to Japan.

The main points of the policy are: 1) Japan will not accept Russia's request to conclude treaties on investment protection and economic cooperation; 2) Five to 10 protocols will be prepared, including those relating to safety like an agreement on marine accident prevention and an agreement on aerospace peace as well as those on mutual establishment of consulates general and cultural exchanges; 3) A joint statement will be prepared to announce the results of the summit, and it will cover overall bilateral relations including the territories issue.

The government, which upholds the solution of the northern territories issue as its supreme goal, has decided to make clear it is firmly maintaining the principle of not separating economics from politics. The government's stand is that "as long as Russia does not recognize Japan's sovereignty over the four islands, large-scale direct economic support to Russia is not possible."

A treaty on protection of foreign investments is a government-to-government agreement providing for measures to minimize risks from foreign investments, and the governments of the nations taking in investments promise to treat the other country's companies investing in its country equally as it does its own country's companies. Russia, which wants to adopt a market economy system, strongly desires to conclude such a treaty with Japan to encourage investments from that country.

On the other hand, the Japanese Government thinks that such a treaty "will consequently have the effect of encouraging private-sector investments in Russia," and has, as such, decided that it should not accept the Russian request for it at this stage when the borders are yet to be clearly demarcated. Japan has been actively giving humanitarian aid and economic assistance to Russia through a multinational framework—such as that provided in creating the Ruble Stability Fund. But it thinks that conclusion of a treaty on investment protection "is—as in the case of providing large-scale direct financial assistance—a matter that can be studied only after the territories issue has been resolved; it should be a basic case of separating economics from politics."

Japan intends to continue the economic cooperation within the scope of not going against the principle of separating economics from politics. When then-President Gorbachev of the Soviet Union visited Japan, the two countries signed 15 documents, including one on intellectual support to the country's transition to a market economy. This time, when President Yeltsin arrives in Japan, Japan will offer only to sign the protocols aimed at expanding cooperation within the existing framework. Key among them will be those concerning the dispatch of experts for the training of small- and medium-sized industries following the establishment of a fund as well as support in the legal aspect of Russia's transition to a market economy.

As for other forms of cooperation, working-level negotiations are now under way to draw up a treaty on maritime accident prevention and a treaty on cooperation in aerospace peace. Also under way are negotiations on the establishment of consulates general mutually in Khabarovsk and Niigata. A total of five to 10 protocols on mutual cooperation are expected to be readied.

Meanwhile, a joint statement will announce Japan's policy to provide funds required to ensure safety for nuclear power plants in Russia, based on an agreement on this at the industrial nations' summit in July (Munich summit).

The statement will also refer to actions of Russia for reduction of nuclear arms in the wake of the dismantling of the cold war structure.

Yeltsin Advised on Northern Territories Issue

OW2708122292 Tokyo SANKEI SHIMBUN in Japanese 26 Aug 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[By reporter Hiroshi Imai]

[Text] On 25 August, the International Affairs and Foreign Economic Relations Committee of the Russian Supreme Soviet (parliament) deliberated Russian-Japanese relations, primarily the northern territories issue, in advance of Russian President Yeltsin's forthcoming visit to Japan. The committee subsequently adopted a recommendation stating: "It is extremely dangerous to recognize Japan's right to any part of the Russian territories—regardless of whatever form it may be in."

The recommendation states that all President Yeltsin should do while in Japan is admit that there are pending issues in relations between the two countries. It says further: "The president should think about Russia's interests in the Asian-Pacific region and should point out that Russia is willing to look for a constructive solution, based on agreements reached so far."

Yona Andronov [name as published], deputy chairman of the committee, questioned the possible aftermath of a territorial reversion, and said: "If Russia makes concessions to Japan on the territories issue, there will be an onrush of territorial demands on a weakened Russia from China, and the Baltic nations of Latvia, Lithuania, and Estonia."

Meanwhile, Sergey Mikhaylov, deputy chairman of the committee, said: "Tokyo is implementing outrageous pressure to steamroller its demands on Russia." He launched a strong complaint against Japan, saying: "If Russia does not make concessions, Japan will probably not only refuse to render cooperation but will also call on the G-7 industrial nations to do likewise."

Framework for Aid to Russia Strengthened

OW2708145692 Tokyo YOMIURI SHIMBUN in Japanese 27 Aug 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] As of 26 August, the Japanese Government has firmed up a plan to expand a framework for aid to the former Soviet Union by the Asian region by winning participation of such Asian-Pacific nations as China and India and the Asian Development Bank (ADB) in a "Tokyo conference on aid to former Soviet nations (NIS)" to be held in late October. In addition, to discuss the issue of ensuring the safety of nuclear power plants, the government has decided to also ask the International Atomic Energy Organ (IAEA) to join the conference. The government will call on various nations to provide aid to the former Soviet Union at the Asian-Pacific Economic Cooperation Minister Meeting (APEC) to be held in Bangkok, Thailand, on 10 and 11 September. At the same time, the government will inform Russian President Yeltsin, who is scheduled to visit Japan on 13 September, of its plan to strengthen aid to the former Soviet Union. In this way, the government will announce that Japan will play a central role in providing multilateral aid to the former Soviet Union.

The conference in Tokyo scheduled for 28 and 29 October is a ministerial meeting composed of such nations as Japan, the United States, and the European Community (EC). The meeting aims at discussing: 1) The issue of providing such emergency humanitarian aid as food, medical supplies, and energy supplies to 12 new independent states of the former Soviet Union, in preparation for the coming winter; and 2) the issue of setting up country consultative groups (CCG) proposed at the industrial nations' meeting (Munich Summit) to encourage medium-to-long-range structural reforms and to coordinate technical assistance. The coming conference will be the third round of the meeting following its first meeting in Washington in January and the second meeting in Lisbon in May. It is expected that about 70 nations and over 20 international organs will participate in the Tokyo conference, which will be chaired by Foreign Minister Michio Watanabe.

From Asian nations, Japan and South Korea positively participated in the past meetings. Taking into consideration the fact that there are many Asian nations in the Newly Industrializing Economies and that the issue of security in the former Soviet Union is deeply related to the Asian region, however, the Japanese Government, for its part, with the coming meeting as a start, has decided to strengthen a framework for multilateral aid by having major Asian nations and organs join the conference.

Moreover, it is true that Russia, which is a successor of the former Soviet Union, is increasingly dissatisfied with Japan's policy of maintaining the principle of "not separating political concerns from economic interests." Reflecting such dissatisfaction, Russian President Yeltsin recently said: "Not a penny of Japanese money has been put into Russia." In response, when Foreign Minister Watanabe met visiting Russian Deputy Prime Minister Mikhail Poltoranin on 4 August, he told the deputy prime minister that: "Japan is in the position to play a central role in such meetings as the Tokyo conference on the issue of aid to Russia." In this way, the Japanese side has indicated its positive attitude toward providing multilateral aid to Russia. It seems that underlying the government's decision to expand and strengthen aid to the former Soviet Union is the government's intention to have Russia make further concessions on the northern territorial issue while easing Russia's dissatisfaction.

European Nuclear Institute Head To Visit

OW2808074492 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Aug 92 Morning Edition p 7—FOR OFFICIAL USE ONLY

[Text] C. Rubbia, chief of Conseil Europeen pour la Recherche Nucleaire [European Organization for Nuclear Research] (CERN), will visit Japan in late August to seek financial assistance from the Japanese Government for the "large-scale hadron collider (LHC)" project drawn up by European nations. With regard to this project that will cost a huge amount of money, officials concerned feel that Japan is likely to have difficulties in dealing with this issue because it is also faced with the problem of cooperation in the U.S. project for developing superconducting super collider (SSC).

CERN is an international research institute, which is funded and managed by 17 member nations, mainly European nations. Meanwhile, the facilities are also open to researchers from nonmember nations, such as Japan. Some nonmember nations have concluded "agreements on cooperation" with CERN to provide part of the expenses for its management. Since Japan has not concluded such an agreement, it does not have to provide any management funds but it has to pay for "actual costs" for experiments when it leases the CERN facilities. Every year, more than 60 Japanese researchers use these facilities. There is a growing demand among the member nations for Japan to make corresponding financial contributions.

Under such circumstances, W. Fugrand, chief of the CERN research department, visited Japan in early June and called at relevant ministries and agencies as the Ministry of Education, the Science and Technology Agency, the Ministry of Foreign Affairs, and the Agency of Industrial Science and Technology under the Ministry of International Trade and Industry to sound out whether Japan is willing to conclude an agreement and provide cooperation in the next collider project. CERN Chief Rubbia, who is a winner of the Nobel Prize for physics, has played the leading role in promoting the LHC project. Therefore, it is believed that the chief will strongly urge the Japanese Government to provide cooperation.

Sanyo To Produce Air Cooling Systems in PRC

92P30117A—FOR OFFICIAL USE ONLY

[Editorial Report] The 4 August Tokyo NIKKEI SANGYO SHIMBUN in Japanese, page 11, and the 4 August Osaka edition of ASAHI SHIMBUN in Japanese, page 10, report that Sanyo Electric is entering into a joint venture with Dalian Refrigeration Equipment Factory, a Chinese office-cooling equipment manufacturer, and Nissho Iwai to produce and sell absorption-type cooling equipment in China. Sanyo is Japan's largest manufacturer of these cooling systems. Agreement has been reached to establish a local corporation, Dalian Sanyo Refrigeration Manufacturing Corporation Ltd., in September 1992, with production to begin in June 1993. Capitalization will be 1.4 billion yen ($11.2 million), with Sanyo providing 55 percent; Nissho Iwai, 5 percent; and Dalian Refrigeration, 40 percent.

With China's economic liberalization, there has been a boom in office building construction as well as an increasing demand for large-capacity air conditioning equipment. However, given China's electricity shortage, it was felt that absorption-type cooling equipment, which utilizes water as the cooling medium and consumes comparatively little electricity, would be more appropriate.

The plant will be built in two phases in an economic and technological development zone in Dalian and initially will employ 50 workers, with the number rising to 200 by 1998. The plant will manufacture "320 refrigeration-ton class equipment," which is a suitable system for cooling a building with a floor space of about 10,000 square meters. The production level for the first year will be 10 units, but plans are to raise this to 250 units in five years. At present, it is planned to market all units produced in China, but in two to three years the companies are considering exports of "a portion" of production to Japan, Europe, and the United States.

Watanabe Says Kanemaru To Retain Influence

OW2808023892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Aug 92 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] Referring to the announcement of the resignation of Vice Chairman Shin Kanemaru of the Liberal Democratic Party, Mr. Michio Watanabe, deputy prime minister and foreign minister indicated his view on 27 August that "Mr. Kanemaru is a personality who carries weight and so became Keiseikai [Takeshita faction]'s chairman. As there will be no change in his personality, there will be no change in the fact that he will have covert power." This was in response to questioning by the press corps at the Foreign Ministry.

Editorial Urges Disclosure of Sagawa Scandal

OW2808041792 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Aug 92 Morning Edition—FOR OFFICIAL USE ONLY

[Editorial: "All Details on the Sagawa Kyubin Scandal Should Be Disclosed"; received via Nikkei Telecom Database]

[Text] Shin Kanemaru, the most influential leader of the Liberal Democratic Party [LDP], resigned from his post as vice president of the LDP on 27 August. Admitting the acceptance of a 500 million yen [Y] political donation from the Sagawa Kyubin Co. [SKC], Kanemaru resigned to take political responsibility. At the same time, he expressed his resignation from chairmanship of the LDP's Takeshita faction. This certainly is the proper course to take.

The SKC as well as its affiliated companies are suspected of providing political donations amounting to several billion yen to many Diet members, including influential LDP leaders. At the press conference held to announce his resignation, Kanemaru admitted the acceptance of Y500 million at the time of the 1990 general election, thus clarifying partial facts concerning the so-called Sagawa funds. It is also suspected that part of the Sagawa money was given to the camp of the current Niigata Governor Kiyoshi Kaneko during the Niigata gubernatorial election. Thus, the scandal involves figures in both central and local political circles.

It is hoped that the authorities who are investigating the matter, including the Special Investigation Department under the Tokyo Public Prosecutors' Office, will do their best to clarify the scandal and disclose all the details to the public. Under such circumstances, many points have to be clarified: Why is it that the SKC distributed such a huge amount of money, which is not in accordance with common sense, to political circles? What are the connections between the Sagawa money and political figures, particularly its connections with the Takeshita faction, since the SKC has, reportedly, the closest connections with the Takeshita faction? Moreover, what is the SKC's relationship with transport and labor administration officials as well as Diet members closely concerned with labor and transport issues in connection with such problems as illegal truck transport operations and the long working hours requested of its employees?

What should not be overlooked in handling the SKC scandal is its involvement with gangster organizations, as has been pointed out. That is the reason why the Metropolitan Police Department has joined in the investigation, in addition to the public prosecutors' office. If it should be disclosed that black money involving gangster organizations has been channeled into political circles through the SKC, it would leave an irreparable stain on Japanese politics.

Information indicates that the so-called Sagawa funds have been distributed among ex-prime ministers and influential figures as well as several members from opposition parties. Thus, the scandal is known not only for the huge amount of funds involved but for its extensive involvement, which was unknown in comparison to previous scandals connected with political figures. Just as in the current Kanemaru case, nearly all the donations have vanished in the darkness while the obligation of submitting reports based on the Law on Regulating Political Funds has been neglected. While it is just a matter of course for the investigating authorities to make a searching inquiry into the flow of funds, involved politicians themselves should volunteer to clarify the facts.

In particular, the Takeshita faction—the largest LDP faction, which holds real power in running both the cabinet and the party—should be asked to take the greatest responsibility. It is strongly suspected that part of the Sagawa funds have been used to pay expenses for the faction's election campaigning, as has been disclosed by Kanemaru, and it follows that the illegally obtained dirty money has been used to expand the faction.

For all that, how is it that there is no end to talk about money-oriented politics? When the current Kanemaru case is taken into consideration, the fact is that normal sense about money has become seared. Moreover, an attempt has been made to remain dumb until full-scale investigations have been launched. Where on earth are the lessons of the Recruit, Kyowa and other incidents?

In connection with Kanemaru's resignation, what is incomprehensible is Prime Minister Miyazawa's position on attempting to dissuade Kanemaru from resigning. Despite the fact that Kanemaru's resignation will have adverse effects on the Miyazawa administration, we must say that Miyazawa's insistence on dissuading Kanemaru from resigning indicates a lack of discernment as the top leader.

Full-fledged investigations into the SKC scandal will now begin. It is expected that the investigating authorities will carry out thorough investigations to find out the real truth, and that moves for self reform will be launched within political circles.

Space Commission Makes Budget Request

OW2708082892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Aug 92 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom database]

[Text] On 26 August, the Space Activities Commission (chaired by Kanzo Tanigawa, director-general of the Science and Technology Agency) worked out its budgetary request concerning space exploitation projects for fiscal 1993. The request totals 203 billion and 469 million yen [Y], marking a 7.4 percent increase compared with fiscal 1992.

The two new projects are one for developing the ADEOS-II, which is an advanced earth observation satellite, and the other for developing an experimental satellite for putting the inter-satellite optical communications system into practical use. For these projects, the Commission plans to request appropriations of Y383 million and Y181 million, respectively. Moreover, the Commission intends to request Y47 billion and 234 million for a space station project, which will be a large-scale international cooperative project.

Era of 'Pampered' Industry To Disappear

922A0296A Tokyo SHUKAN TOYO KEIZAI in Japanese 13 Jun 92 pp 132-138—FOR OFFICIAL USE ONLY

[Article by Tokai University Professor Kazuyoshi Katsumata: "Illusion of 'Doctrine of Invincible Japanese Economy'—A Limit to Pampered Entrepreneurship"]

[Text] Most of the factors which have supported the Japanese economy's "capacity for change" are fated to disappear with the application of international economic rules. The "pampered" entrepreneurship which was guided under the protection of the state will no longer be permitted.

The "doctrine of the invincible Japanese economy," which holds that the Japanese economy has grown stronger with each recession it has overcome, has recently begun to be emphasized again. I listen to this kind of argument with exactly the kind of feeling of falling into an illusion as when, during World War II, I was made to firmly believe in the invincibility of the Japanese military.

If we lay out the argument that should be called something like the "doctrine of the invincible the Japanese economy," it probably comes out as follows. The driving force which overcame past recessions is found in the Japanese economy's high capacity for change, and the high level of that capacity for change has, at present, not diminished in the slightest. Consequently, it is judged that the current "burst-bubble recession" will recover soon by mobilizing government finance.

In this article I would like to verify what the Japanese economy's capacity for change was, whether that capacity for change was formed by pure entrepreneurship alone, and whether the entrepreneurship which has been guided under the protection of the state was not so-called "pampered" entrepreneurship compared to Europe and the United States. And, at the very end, I would like to point out that in entrepreneurship in the age of internationalization the past kind of "dependence" which has been protected by the state will no longer be allowed, and also the danger of swallowing whole the high level of the Japanese economy's capacity for change.

The Capacity for Change Which Supported the Postwar Economy

The first time that the high level of "capacity for change" was pointed out in Japanese economic doctrine was in the fiscal year 1964 edition of the "Economic White Paper." The "Economic White Paper" calculated the index of change for industrial structure from 1954 to 1961, and did an international comparison. The result was that the change in relative importance from agriculture to the manufacturing industry was more striking than in any other country, and that Japan's index of industrial structural change was in first place with 18.4.

Because of an industrial structural change index as high as this, the "Economic White Paper" drew the conclusion that the Japanese economy possesses a high capacity for change. Taking it that a high capacity for change is a condition for high growth, and that, moreover, high growth strengthens the capacity for change, it grasps it in terms of a cause and effect relationship of "high capacity for change and high growth."

And it explains the background to the high capacity for change by saying "the reasons why changes in industrial structure are smooth, and of a growth-oriented type can be considered in various ways. Important reasons probably include such things as that Japanese enterprises were not in a system ruled by a few, but one which made entry by new companies possible; that technological innovation flourished; that it was the kind of situation in which large profits arose through mass production in growth sectors, and profits increased even more by expanding production; that money was invested in growth industries where anticipated profits are great; and that, besides having an abundance of new manpower, there was a considerable shift from agriculture to the industrial sector."

These observations are all reasonable, so there is no margin whatsoever for criticism. However, it will not do to overlook the next point. It is the statement that "money was invested in growth industries, where the anticipated profits are great." At the same time the "Economic White Paper" made an international comparison of the relationship of the loans of all banks in a country by type of industry and rate of industrial growth, and made clear the fact that compared with Germany and England, in Japan the increase in lending has been concentrated on growth industries. In other words, the leverage of the concentrated financing of growth industries was operating as an important factor which "staged" the Japanese economy's high capacity for change.

One notices that this factor of finance has without fail accompanied the Japanese economy's capacity for change after that. It probably will not do to overlook the fact that this factor of finance has also exerted a strong influence in the promotion of technological development and plant and equipment investment to the point of abnormality.

Osamu Shimomura, who backed up the Ikeda cabinet's policy of high economic growth on the theory side advocated the policy of a Japanese-type economy. It was not the Harrod-Domar growth model in which the rate of economic growth is limited by the savings rate; but something which gives priority to plant and equipment investment which uses credit creativity to the utmost and should advance the level of the Japanese economy's industrial structure. Shimomura also stated that economic growth occurs because plant and equipment investment is carried out, and that savings increase because economic growth is realized, so the Japanese economy merely put this theory into practice without change.

Two Criteria for Protection of Industries

It can no longer be denied that this kind of concentrated financing of growth-type industries exerted a strong influence behind the 1964 edition of the "Economic White Paper" extolling the high level of Japanese economy's capacity for change. In this case, what kinds of industry have been taken up as growth industries and promising industries?

The Ministry of International Trade and Industry [MITI] was hammering out one industry-protection policy after the other as measures to nurture and promote new industries and growth industries. For example, it was beginning to nurture and strengthen the synthetic textile industry in April 1953, petrochemistry in July 1955, machine parts and general machines under the Law on Special Measures To Promote the Machine Industry in May 1956, and the electronics industry by the Law on Special Measures to Promote the Electronics Industry in June 1957. On what grounds were the industries which were the object of these protective policies selected? MITI later disclosed the following criteria.

The first selection criteria by which the 1960's policy of developing a heavy chemicals industry was employed was the criteria of income elasticity. It is an industry for which high growth in demand is anticipated in accordance with growth in the national income. It is an industry with high material and value productivity, and an industry which will be able, through that, to realize a comparative advantage in terms of international competition.

The criticism was later made that these two standards were arbitrary or opportunistic. For example, it has been estimated that only the eight industries of clothing and accessories, furniture and accessories, chemicals, petroleum and coal products, metal products, general machinery, machines for transport use and "other manufacturing industries" were industries that qualified by the two standards (ones for which income elasticity and the rate of productivity growth exceeded the levels for these items in manufacturing industries as a whole). Of the industries that met these two standards, clothing and accessories and furniture and accessories belong to light industry.

On the other hand, such typical heavy industries as iron and steel, nonferrous metals, and electrical machinery do not satisfy the two standards, and so on, so the theoretical standards that MITI displayed for nurturing the heavy chemicals industry leave ample room for criticism.

Even if the content of the standards for nurturing industries was criticized in terms of theory, they exerted a great influence on the side of practical results. There was preferential tax treatment and preferential interest by government investment and loans for the affected industries, and they also had the effect of inducing in private-sector financial institutions a policy of lending money to these industries.

The Induction Effect of Government Loans

Because even though the funds for industrial plant and equipment which government financial institutions provided were about 10 percent of the entire amount of funds which the receiving industry required, the selective investment of government funds played the role of a guide for private-sector financial institutions to future important industries or growth industries. In fact, when government-related financial institutions decided to make loans to companies that were being nurtured, there were many instances in which private-sector financial institutions made loans to these companies with virtually no checking. In the case where one bank alone could not finance the loan, it satisfied the raising of funds by forming a syndicate.

The following kinds of things exist as corroboration of lending by the government which guided lending by private-sector financial institutions. Professor Hiroya Ueno (*Japan's Economic System*) points out that over the long term there is a fairly high correlation between the amount of private-sector financial institution lending by industry and the share of government-related financial institution lending by industry.

Depending on the participant in the debate, there are some who view the role of government financial institutions as comparatively unimportant because the quantitative side of government-related loans was low at about 10 percent. But it will probably not do to minimize the point that, qualitatively, it played an important role in its announcement effect, which induced private-sector financial institution loans as a result.

Moreover, at that time a policy of low interest rates was being implemented without asking any questions. A policy of arbitrary low interest, which was lower than interest rates on the open market, was carried out in the name of protecting industries, and an excessive demand for funds existed constantly. The result of this was that allotment of funds was carried out by the Bank of Japan. Companies that were the object of industry protection were able to receive financial advantage in a double or triple sense.

We should probably recognize clearly that what was behind the high level of the Japanese economy's capacity for change, which the "Economic White Paper" stressed, was the single-package system of industry protection policies and preferential financing by government-related financial institutions. Ignoring this, one will probably not be able to obtain a useful conclusion, even if one discusses the Japanese economy's capacity for change and Japanese entrepreneurship.

The problem is, rather, that we have forgotten that we have made industry structure more advanced while enjoying this kind of lavish protection from the government. It is an illusion for Japanese entrepreneurs to think that they have acquired a high capacity for change on their own.

The Reality of Outlook Policy, Too, Is Protection

It appears that, according to the dominant view among Japanese economists, industrial policy is receiving high marks on the point that in the 1970's it switched from direct-control policy, which it had been up till then, to indirect guidance.

As a basis for judging it in that way, the economists rate highly the fact that in "International Trade and Industry Policy for the 1970's" ("Outlook for the 1970's"), MITI aimed at "maximum activity of market mechanisms," and "admonished itself," saying it "should strictly ban such things as excessive policy intervention and measures that overprotect industries." And the "Outlook for the 1970's" emphasizes that in the future industrial structure will switch from a structure centered on the capital-intensive heavy chemicals industry to one centered on knowledge-intensive processing and assembly industries.

Because it held aloft this kind of knowledge-intensive industry as the future outlook, it is called "outlook policy." It is a policy in which the authorities provide information on the direction of change of industrial structure to the private sector by such things as committees and written materials, and try as a result to guide the actions of companies in the direction planned by authorities.

This frequent use of committees is also praised as having curbed intervention of industrial policy in the formation of industrial organizations, and made possible economic operation centered on market mechanisms. It is said that since many people from private-sector companies participate in committees, if there were a government proposal of a kind by which the independent activity of companies would be markedly limited, the private-sector company people would naturally oppose it, so the government's intention to intervene in the formation of industry organizations would not be realized. But is the reality of committees something like that?

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Nonaligned Movement Prepares for Jakarta Summit

Officials Hold Preparatory Meeting

LD2808091692 Belgrade TANJUG in English 0807 GMT 28 Aug 92

[Text] Jakarta, August 28 (TANJUG)—The preparatory meeting of Non-Aligned senior officers, which is to focus on procedural issues and the method of work of the upcoming 10th summit, began in Jakarta on Friday morning.

The summit will be held in the Indonesian capital on September 1-6.

The senior officials, meeting behind closed doors, will also discuss the request of the former Yugoslav republics—Slovenia, Macedonia and Bosnia-Hercegovina—to gain the status of guests and Croatia's request to become an observer in the Non-Aligned Movement [NAM].

Diplomatic circles in Jakarta assess the Yugoslav crisis will be the chief item on the agenda of the Non-Aligned summit, particularly since a group of Islamic countries, headed by Iran, are insisting that the Federal Republic of Yugoslavia (F.R.Y) be denied the status of chair-country and even membership in the movement because of its alleged involvement in the civil war in Bosnia-Hercegovina.

The head of the Yugoslav delegation at the preparatory meeting, Ambassador Pavle Jevremovic, told journalists F.R.Y. would hand over the chairmanship to Indonesia before the summit begins in order to avoid a split in the movement, which is now trying to redefine its role in the world no longer divided into blocs.

Commenting the fact that some Islamic countries are insisting on denying F.R.Y's continuity, which would automatically challenge its membership in the movement, Indonesian Foreign Minister Ali Alatas told journalists that the question of F.R.Y's continuity should be resolved in the United Nations. He added, however, that there was no doubt that the summit participants would open a debate on this problem as well.

Iranian Foreign Minister 'Ali Akbar Velayati on Friday refused to say whether Tehran would insist on suspending Yugoslavia from the movement.

Velayati urged support to Bosnia-Hercegovina's independence upon his arrival to Jakarta.

Velayati's diplomatic restraint surprised the journalists at Jakarta airport, since Iran has headed a group of Moslem countries, so far the loudest advocates of F.R.Y's expulsion from the movement. Tehran is also the most vociferous champion of a multi-national Islamic army, which would fight on the side of the Bosnia- Hercegovina Moslems.

More on Preparatory Meeting

BK2808134092 Jakarta ANTARA in English 1245 GMT 28 Aug 92

[Text] Jakarta, Aug 28 (ANTARA)—The issue of Yugoslavia and its breakaway republics hopefully will not become a controversy at the 10th summit of the Non-Aligned Movement (NAM) here early September, Pavle Jevremovic, chief delegate of Yugoslavia to the senior officials meeting (SOM) preceeding the summit said here Friday.

"I do hope that there will not be too many discussions on the issue as there are more pressing problems like the the wide gap of economic growth between the developed and developing countries which have to be handled by the NAM," he said minutes before participating in the SOM.

He further said the Yugoslav issue has been thoroughly discussed at the ongoing London conference.

"I support the conference and hope that it will solve the inter-ethnic conflicts in Yugoslavia," he said.

Asked to comment on the wish of some NAM member countries to expell Yugoslavia from the 31-year movement, he said, "Actually, nobody should make a fuss about it. We are still a legitimate member of the movement."

He also said that at the Friday SOM he is representing Yugoslavia not only Serbia.

About the wish of the former republics of Yugoslavia like Croatia, Slovenia, Macedonia and Bosnia-Hercegovina to become guests or observers at the NAM meetings, he said, "for the time being, I cannot make any comment on it."

Meanwhile, an assistant to the secretary general of the Organization of Islamic Conference (OIC) Ibrahim Shaleh said Islamic countries affiliated to the NAM should adopt a firm stand on the ethnic cleansing issue in Bosnia-Hercegovina.

He expressed the hope that the Jakarta summit will discuss the issue, especially those concerning efforts to stop the sending of Serbian troops to predominantly Muslim regions.

At its last meeting in Istanbul, OIC urged the UN Security Council to issue a resolution allowing the use of military forces to settle the Bosnia-Hercegovina issue.

The one day SOM Friday was opened by director general for political affairs, Foreign Ministry, Wiryono Sastrohandoyo who said that the agenda of the summit and the application of new membership in the NAM will be the main topic.

The meeting, scheduled to last until 18.00 hours local time [1100 GMT], was also marked by Wiryono's statement that Yugoslavia has transferred its chairmanship in the NAM to Indonesia.

The Philippines, Indonesia's fellow-ASEAN country, has openly stated that it wants to join the movement.

Myanmar [Burma], which quitted the movement in 1979 at its own request, has also wished for readmission at the NAM which today groups no less than 106 countries in Asia, Africa, Latin America and Europe.

Secretary general of the summit Nana Sutresna on a separate occasion [said] the issue of the Philippines and Myanmar has been discussed by the NAM coordination bureau in New York.

"However, apparently no consensus has been reached yet that the issue is brought again to the Friday SOM," he said.

Countries Granted Member, Observer Status

BK2808073692 Jakarta ANTARA in English 0700 GMT 28 Aug 92

[Text] Jakarta, Aug. 28 (OANA/ANTARA)—The senior officials meeting (SOM) of the Non-Aligned Movement (NAM) has recommended Uzbekistan, the Philippines, and Brunei Darussalam to be NAM full members, NAM Summit Secretary General Nana S. Sutresna told the press following the conclusion of the SOM first session in preparations for the tenth NAM summit here Friday.

The requests of Croatia, Armenia, and Thailand for observer status, and Bosnia-Hercegovina, Macedonia, and Slovenia for guest status in the movement have also been admitted during the SOM, according to Sutresna.

The SOM has yet to discuss the request of Myanmar [Burma] to rejoin the movement as full member. "We hope that the discussion on Myanmar to be resolved this afternoon," he said.

The applications by Uzbekistan, the Philippines and Brunei for the NAM members have been approved by the NAM Coordinating Bureau in New York earlier, and the SOM reconfirmed them to be presented to the ministerial meeting.

Myanmar withdrew from the movement voluntarily at the Havana Summit in 1979.

An informed source in the Friday meeting said that India opposed the readmission of Myanmar saying that it might cause bad precedent which might make NAM look like a body whose members could come and go easily.

The SOM session also discussed procedural aspects of the summit preparation such as on the agenda, election of the officials of the regional bureaus and the organizational work, said Nana Sutresna, former Indonesian ambassador to the United Nations.

"The session has run smoothly and in friendly atmosphere," Sutresna said, adding that the issue on the war-torn Yugoslavia was not discussed during the meeting.

The one-day senior officials and ambassadorial level meeting will have their second session in the afternoon.

Foreign ministers of the movement's member countries are scheduled to have their two-day meeting starting Saturday.

Iraqi Says Summit May Discuss 'No-Fly' Zone

BK2808102192 Jakarta ANTARA in English 0947 GMT 28 Aug 92

[Text] Jakarta, Aug 28 (OANA/ANTARA)—Iraqi Ambassador to Indonesia Zaki 'Abd al-Hamid al-Hubba stated it would be quite reasonable for the Tenth Non-Aligned Movement (NAM) Summit to discuss the 'no-fly' zone imposed unilaterally on his country by the United States. I don't know whether the meeting will deal with the issue, but it would be quite reasonable if it does, Ambassador al- Hubba said here Friday responding to ANTARA's question on the 'no-fly' zone imposed on his country.

As Indonesia is to lead the movement, we also have reason to expect more solidarity from other NAM member countries, he added. The ambassador said that a 'no-fly' zone would mean interference in his country's internal affairs.

Urging the Non-Aligned Movement to adopt a firm stance concerning the situation in Iraq, the ambassador said that such an interference was dangerous and any member of the movement could face a similar threat. The Iraqi vice president will lead his country's 20-member delegation to the Tenth NAM Summit.

NAM Influence Said Needed To Review UNSC Role

BK2808092892 Kuala Lumpur Voice of Malaysia in English 0800 GMT 28 Aug 92

[Text] Malaysia wants the Nonaligned Movement, NAM, summit in Jakarta next week to use its influence to urge the United Nations to review the role of its Security Council. Permanent Representative to the UN, Tan Sri Razali Ismail, said the review of the UN Security Council is necessary as its membership is not appropriate in view of major global geo-political changes. He said the bigger powers were given the council's five permanent members were frequently not used for international good but for the vested interest of the five countries.

Tan Sri Razali was speaking to Malaysian reporters on his arrival in the Indonesian capital. He is leading the Malaysian delegation to the NAM senior ministers' meeting beginning in Jakarta today. He said the summit will allow NAM the chance to chart a clear course and stand amid the current changing situations in world politics.

Japan

Pessimism 'Growing' Over Uruguay Trade Round

OW2808001292 Tokyo KYODO in English 2323 GMT 27 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Pessimism is growing ahead of the mid-September resumption of world trade negotiations about the prospects of a prompt conclusion to the glacial talks, Japanese Government sources said Friday.

The sources attributed the mood mainly to uncertainty over whether U.S. President George Bush will be reelected and the slim chance of progress in the farm trade dispute between the United States and the European Community (EC).

Some voiced concern a victory by Democratic presidential candidate Bill Clinton may lead to Washington urging Japan to hold bilateral negotiations on the rice imports issue, prolonging the Uruguay Round trade talks.

Japan has so far managed to dodge external pressure to lift its ban on rice imports through multilateral negotiations, but could face more severe repercussions, they said.

Referring to General Agreement on Tariffs and Trade (GATT) Director General Arthur Dunkel's visit to Japan from Sunday, the sources quoted one Agriculture, Forestry and Fisheries Ministry official as saying, "the round is now moving into the political circle, and is already out of Dunkel's hands.

"Meeting with him means nothing under the circumstances."

During his stay until September 2, Dunkel is scheduled to meet with cabinet members, including Masami Tanabu, head of the Farm Ministry, and discuss his proposal on comprehensive replacement of trade barriers with tariffs, the sources said.

They said Dunkel is sticking to his hope that U.S.-EC concessions on farm subsidies will expedite solution to problems with other negotiating nations.

However, political concerns on both sides, such as the U.S. presidential race and EC integration, seem to have deadlocked their dispute, the sources said.

With Clinton leading in opinion polls, the Bush administration is apparently not regarding the trade talks as a priority, they said.

A senior Foreign Ministry official described the talks as time- and labor-consuming for Bush, without having any public relations benefits.

The Farm Ministry official said Bush's appointment of U.S. Secretary of State James Baker as White House chief of staff convinced him the round cannot be concluded by the end of this year because Baker could be vital for negotiations with the EC.

Even if Bush is reelected, the deadlock may not be broken for some time, the Foreign Ministry official said.

Many understand that U.S. presidential aides may consider it advisable to attack what they perceive is the closed nature of the EC's market integration through the ongoing negotiations, the sources said.

They said if Clinton becomes president, it would take several months for a new cabinet to settle in, which could delay resumption of substantial negotiations until the summit of the Group of Seven industrial nations in Tokyo in mid-1993.

Foreign Ministry sources said it is possible a Democratic administration might shelve the Uruguay round and pursue bilateral trade negotiations for quick results, focusing on rice in talks with Japan.

Apart from the stalled trade talks, both the United States and the EC have respectively created the North American Free Trade Agreement and EC market integration, which the government sources said could become closed to outside nations.

They expressed concern Washington and Brussels might lose their appetite for a successful conclusion of the round, because GATT rules of free international trade are the lifeline for Japan's trade policies.

This would present a fresh challenge to the government, in addition to fighting the rice issue, the sources said.

Draft Declaration for Yeltsin Visit Considered

OW2808101192 Tokyo KYODO in English 0950 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Japan will soon submit for Russia's consideration a draft of a joint declaration to be issued during Russian President Boris Yeltsin's mid-September visit here, government sources said.

The sources said the six-point draft will be proposed to Russian officials by Foreign Minister Michio Watanabe, who leaves Saturday for Moscow to lay the groundwork for Yeltsin's September 13-16 visit.

The draft touches on several topics including a territorial dispute between the two nations, as well as economic cooperation, peace and security in the Asia-Pacific region, and cooperation in the field of science and technology. It also mentions Japanese soldiers held prisoner in Siberia after World War II, and promotion of cultural exchanges.

By far the most contentious part of the Japanese draft is the section dealing with the two nations' dispute over four islands off Hokkaido that were seized by advancing Soviet troops in closing days of World War II.

The draft says Russia recognizes Japanese residual sovereignty over the four islands of Kunashiri, Etorofu, Shikotan, and the Habomai group of islets.

But Russia has so far indicated it is only willing to go so far as to confirm its obligation to return Shikotan and the Habomais to Japan after the signing of a peace treaty. The return of those islands was part of a pledge made in a 1956 Joint Declaration ratified by both countries, but the former Soviet Union unilaterally revoked the promise in 1960.

Miyazawa's Russia Visit To Be in Communique

OW2808033492 Tokyo KYODO in English 0320 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Japan and Russia have agreed to mention Prime Minister Kiichi Miyazawa's expected visit to Moscow in a joint communique to be issued during Russian President Boris Yeltsin's trip to Japan next month, government sources said Friday.

The communique, which will be published during Yeltsin's visit from September 13 to 16, will note that Miyazawa will go to Russia at the invitation of the Russian Government, the sources said.

The government is considering January or May 1993 for the journey. But setting a firm date will depend on economic and political developments in Russia, the sources added.

Tokyo hopes Miyazawa's visit will help improve prospects, which are dimming, for the resolution of the longstanding bilateral dispute over four Russian-held islands off northern Japan, the sources said.

The joint communique is expected to express the significance of mutual efforts to solve pending problems between the two nations, including the territorial issue, they said.

The Soviet Army seized the islands of Etorofu, Kunashiri, Shikotan and the Habomai group of islets from Japan at the end of World War II.

The territorial row has prevented the two sides from concluding a peace treaty.

Japan is demanding that Russia recognize Japan's sovereignty over the islands and has made their return a prerequisite for massive financial aid and conclusion of the treaty.

Yeltsin's chief of staff, Yuriy Petrov, said in Tokyo earlier this week that Japan's insistence that Yeltsin recognize its sovereignty over the disputed islands will not wash with the Russian people.

Petrov said "a certain period of time" is necessary to solve the territorial issue, saying Japan should understand Yeltsin is burdened with a host of problems he inherited from the former Soviet Union.

The government hopes Miyazawa's visit will also lay the groundwork for the Tokyo summit of seven industrialized nations next July, during which economic aid to Russia is expected to be a focal issue, the sources said.

If realized, Miyazawa would become the first Japanese prime minister to step foot in Russia since the collapse of the Soviet Union.

In 1985, then Prime Minister Yasuhiro Nakasone visited the former Soviet Union to attend the funeral of Konstantin Chernyenko, general secretary of the Soviet Communist Party.

When former Soviet President Mikhail Gorbachev came to Japan in April 1991, then Prime Minister Toshiki Kaifu's visit was also stipulated in a joint communique but never came to pass because of the great changes which followed in the Soviet Union.

Defense Minister To Accompany Yeltsin on Visit

OW2808130892 Tokyo KYODO in English 1246 GMT 28 Aug 92

[Text] Tokyo Aug. 28 KYODO—Russian Defense Minister Pavel Grachev will accompany President Boris Yeltsin on a September 13-16 visit to Japan, a senior Foreign Ministry official said Friday.

Grachev will have talks with Defense Agency Director General Sohei Miyashita in the first-ever meeting of heads of the two nations' defense establishments.

The officially stated reason for Grachev's visit is to conclude a bilateral treaty to prevent accidents at sea between military ships and planes, but it is understood he will also discuss developments in the Asia-Pacific region since the end of the cold war.

Yeltsin's proposals for the demilitarization or withdrawal of military forces from a group of four islands which the former Soviet Union seized at the end of World War II are also likely to be tabled during the talks.

The islands, which are Kunashiri, Etorofu, Shikotan, and the Habomai group of islets, are situated east of Japan's northernmost main island of Hokkaido.

A high official in the Defense Agency said agency staff would meet with Grachev if he requests a meeting, but added that they can not embark on discussions at a military level in the absence of progress in negotiations over the disputed islands which are known in Japan as the northern territories.

The Foreign Ministry official noted that Grachev also accompanied Yeltsin on a visit to the United States in June and played a leading role in forging an agreement over a large scale reduction in strategic nuclear weapons.

The official indicated that Grachev's visit may be out of concern for still-influential elements of the former Soviet military who oppose the return of the islands to Japan.

Russia's ITAR-TASS news agency reported July 28 that the Russian Defense Ministry opposes returning the islands because it would deprive the Russian Pacific fleet of a warm water outlet to the high seas and require a considerable financial outlay to consolidate the country's security in the east.

Austria Supports Northern Territories Stance

OW2808105692 Tokyo KYODO in English 1024 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Austrian Vice Prime Minister Erhard Busek on Friday reiterated his country's support for Japan's claim to four northern islands seized by Soviet troops at the end of World War II, Foreign Ministry officials said.

Busek, who arrived in Japan earlier in the day on a three-day unofficial visit, was quoted as telling Foreign Minister Michio Watanabe in 20 minutes of talks that Austria "backs the Japanese position on the northern territories issue."

But Busek and Watanabe shared the view that Yeltsin is not in an ideal position to make a decision on the issue as he is waging a political battle on the domestic front, the officials said.

Watanabe, leaving Saturday for Moscow to prepare for Russian President Boris Yeltsin's mid-September visit here, explained Japan's intention to be flexible on the timing, modality, and conditions for returning the four islands off Hokkaido if Russia recognizes Japanese sovereignty over them.

The officials said Watanabe pointed out that the Soviet Union seized the islands from Japan in 1945 in violation of a bilateral neutrality pact and asserted that they were "inherent" Japanese territory, never before disputed.

An Austrian diplomat said Busek stressed the need for stability in the former Soviet Union and doubted the Commonwealth of Independent (CIS) would be a permanent solution to the Soviet Union's demise.

He surmised that the CIS republics are likely to separate into European and central Asian groups.

Busek, who is chairman of the conservative Austrian Peoples' Party in Austria's conservative-socialist coalition government, said that if the Yugoslav crisis remains unresolved, the usurping of territory by force would serve as a bad example if there is a further dissolution of the CIS.

He stressed the necessity of the world community taking a strong stand against the forceful seizure of territory, starting with the former Yugoslavia.

Plans Unveiled for PRC River Delta Project

OW2708144092 Tokyo KYODO in English 1336 GMT 27 Aug 92

[Text] Tokyo, Aug. 27 KYODO—Tobishima Construction Co. unveiled plans Thursday for major construction projects in the Wakasa Bay area of western Japan and China's Tumen Jiang River delta area across the Sea of Japan.

The Japanese construction company said the plans called for the establishment of a 1,100-hectare manmade island in Wakasa Bay with an international airport and a large container berth to promote interchanges with the river delta area.

The island would also have a residential area for 200,000 people, facilities for international trading of marine products, and a major oil storage base, company officials said.

The entire Wakasa Bay area is expected to have a population of one million, the officials said, and the whole construction project is estimated to cost 30 trillion yen.

The Tumen River flows across the borders of China, Russia, and North Korea, and seven nations, including Japan, are working on a project for joint development of the area.

The project in China, including the building of a 10-kilometer canal from the mouth of the river to carry food and raw materials from northeast China, is expected to cost 11 trillion yen and take 10 years to complete, the officials said.

Kanemaru's Resignation 'Reluctantly' Accepted

OW2808133092 Tokyo KYODO in English 1323 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Prime Minister Kiichi Miyazawa reluctantly accepted Shin Kanemaru's resignation as vice president of the ruling Liberal Democratic Party (LDP) on Friday after Kanemaru repeatedly rejected pleas to stay on, LDP officials said.

"I would cause trouble for vice president Kanemaru if I continued to press him," Miyazawa was quoted telling LDP executives. "I accept his decision."

Kanemaru unexpectedly announced Thursday he planned to leave the post after admitting he had accepted 500 million yen from the scandal-ridden, now defunct Tokyo Sagawa Kyubin Co., which is at the center of a huge loan scandal.

Kanemaru could be fined up to 200,000 yen for violating the political funds control law if it is found that the money was given to him as an individual, and he failed to declare it to authorities.

Meanwhile, members of the 108-member LDP faction chaired by Kanemaru continued their efforts to convince the veteran politician to remain as head of the party's largest faction, founded by former Prime Minister Noboru Takeshita.

Takeshita visited Kanemaru for two hours at his private residence in central Tokyo to urge the chairman of his faction to reconsider his resignation, which was also tendered Thursday.

Kanemaru said he would not deliver a scheduled speech at Takeshita faction meetings set to be held over the weekend, but he reportedly indicated he would consider the requests.

The faction is hoping to convince Kanemaru by mid-September to continue in his post.

Former Prime Ministers Said Involved in Scandal

OW2708235892 Tokyo KYODO in English 2335 GMT 27 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Three former prime ministers are among a dozen politicians who received funds from Tokyo Sagawa Kyubin Co., a now-defunct delivery company at the center of a major loan and influence peddling scandal, the YOMIURI SHIMBUN reported Friday.

Tokyo Sagawa's former president, Hiroyasu Watanabe, donated a total of 2.2 billion yen to 12 politicians between 1989 and 1991, the YOMIURI said.

The newspaper said Watanabe has told prosecutors that he gave 200 million yen each to two former prime ministers and 100 million yen to another. The paper, however, did not identify the three men.

The YOMIURI also said the recipients of Tokyo Sagawa funds include two incumbent and three former cabinet ministers.

One of the incumbents was given 100 million yen and the other 50 million yen, while the three former ministers received up to 100 million yen, the mass-circulation newspaper said.

The recipients include Shin Kanemaru, who on Thursday acknowledged the receipt of 500 million yen from Watanabe and announced his resignation as vice president of the governing Liberal Democratic Party, the YOMIURI said.

Another mass-circulation daily, the ASAHI SHIMBUN, reported Friday that Watanabe donated a total of 2.15 billion yen to over 10 LDP Diet members between February 1988 and early 1991.

Watanabe gave 500 million yen to Kanemaru, 130 million yen to an unidentified former prime minister and 50 million yen to another, the ASAHI said.

Other recipients included an incumbent cabinet member whom the ASAHI said enjoys "extremely important status" in the cabinet of Prime Minister Kiichi Miyazawa.

The ASAHI said Watanabe has told prosecutors that he also gave 50 million yen to another incumbent cabinet member and 100 million yen to a former LDP secretary general.

Meanwhile, the MAINICHI SHIMBUN reported that Watanabe paid the 500 million yen to Kanemaru for his mediation in the June 1989 gubernatorial election in Niigata prefecture.

The Sagawa Kyubin Group's founder, Kiyoshi Sagawa, sought support from Kanemaru in unifying the conservative front for incumbent Niigata Governor Kiyoshi Kaneko, the MAINICHI said.

On Thursday, prosecutors began questioning three close aides of Kaneko on suspicion they failed to report the receipt of political funds in 1989 from Tokyo Sagawa Kyubin Co.

Tokyo Sagawa Kyubin and several other regional Sagawa Kyubin firms merged earlier this year to form Sagawa Kyubin Co., the third largest trucking firm in Japan.

Watanabe, Tokyo Sagawa's former president, has been indicted on charges of aggravated breach of trust for causing major financial damage to his company.

Watanabe reportedly extended over 500 billion yen in loans and loan guarantees to a number of companies and individuals.

Dailies Urge 'Comprehensive' Political Reform

OW2808021392 Tokyo KYODO in English 0148 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Four major Japanese dailies urged Prime Minister Kiichi Miyazawa on Friday to carry out comprehensive political reform as soon as possible to clean up Japan's money-oriented politics.

The ASAHI SHIMBUN, MAINICHI SHIMBUN, YOMIURI SHIMBUN and NIHON KEIZAI SHIMBUN (Nikkei) made the call in editorials one day after Liberal Democratic Party (LDP) Vice President Shin Kanemaru's announcement that he was stepping down for accepting a 500 million yen political donation from the scandal-ridden Tokyo Sagawa Kyubin Co.

Kanemaru, considered a "king maker in the ruling party," also said he will quit as head of the LDP's largest faction founded by former Prime Minister Noboru Takeshita.

The 9.5 million-circulation YOMIURI said, "Miyazawa has a duty to carry out thorough political reform before worrying about his political base (backed by Kanemaru)."

Kanemaru, an architect of "superb" Diet maneuverings with opposition parties, has solidly backed Miyazawa since his ascension to power last year. Miyazawa has asked Kanemaru to stay on as the party's vice president.

The ASAHI and Nikkei criticized Miyazawa for asking Kanemaru to stay on as the LDP's vice president despite his links to the scandal-ridden parcel delivery firm.

The Nikkei, an influential business daily said, "we have no alternative but to say Mr. Miyazawa lacks insight as leader."

The 8.5 million-circulation ASAHI said the LDP has tried to delay deliberations in the Diet on political reform since the party rebounded in July's House of Councillors election.

On Kanemaru's resignation as the party's vice president, the four dailies hailed it, saying it is a matter of course.

The papers called on the political world to clear up suspicions over the Tokyo Sagawa Kyubin's alleged payment of 2 billion yen to about 10 politicians.

Government, LDP Agree on Reform Schedule

OW2808100092 Tokyo KYODO in English 0944 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The government and the ruling Liberal Democratic Party (LDP) agreed Friday to seek early passage of stopgap election reform measures during the fall session of parliament, top government spokesman Koichi Kato said.

Meeting with Prime Minister Kiichi Miyazawa at his official residence, the government and LDP officials also decided to start compiling a plan for more sweeping political reforms next month to be completed by November, Chief Cabinet Secretary Kato said.

The decisions came one day after LDP Vice President Shin Kanemaru declared he would leave his party post over his acceptance of an unreported 500 million yen from a scandal-ridden delivery company, Tokyo Sagawa Kyubin.

Kanemaru, reputedly the most powerful figure in Japanese politics, has not been charged with wrongdoing in the scandal, which involves alleged transfers of multimillion yen sums to some 10 former prime ministers and leading politicians.

However, Kanemaru's admission of accepting the money has drawn new attention to the ills of an election system that induces senior politicians to accept vast amounts of money from businesses to distribute to junior faction members.

Asked whether the unfolding Sagawa Kyubin scandal would affect the reform programs, Kato replied that the government had already been planning the reforms.

Miyazawa pledged during his campaign for the LDP presidency last October to come up with a scheme for sweeping political reforms within a year.

The LDP president serves concurrently as prime minister because of the LDP's majority in the powerful House of Representatives.

Kato also told reporters that Miyazawa plans to dispatch deputy Chief Cabinet Secretary Motoji Kondo to visit Kanemaru in an attempt to convince the senior politician to stay in his post.

Kanemaru, who has been credited with helping boost Miyazawa into the premier's office last November, has played a key role in supporting the Miyazawa administration since accepting the LDP vice presidency in January.

In the stopgap electoral reform plan, Miyazawa is seeking a partial seat reallocation plan for the lower house to rectify a disparity in the weight of votes in rural and urban areas.

A vote in the least populated constituency is worth 3.4 times that in the most densely populated districts, the home affairs ministry reported earlier this month.

The interim plan would add one more seat in nine constituencies and take one away from 10 other districts in an attempt to meet a 1983 supreme court ruling that disparities of over 3-to-1 violate the Constitution.

The more comprehensive reform plan would address issues such as whether to change the size of constituencies, and the imposition of tighter restrictions on political fund raising.

Miyazawa's predecessor Toshiki Kaifu fell from power last fall after he declared he would make an all-out effort to push through a political reform program that included an unpopular plan to replace 3-to-5 seat constituencies with single-seat districts.

LDP Secretary General Tamise Watanuki, who last week expressed pessimism over hammering out the political reforms by November, was among the senior LDP officials attending the meeting.

Also attending were Takashi Hasegawa, chief of the LDP's Political Reform Headquarters, and LDP Executive Council Chairman Koko Sato.

Ministry Proposes Intelligence Gathering Revamp

OW2708143792 Tokyo KYODO in English 1342 GMT 27 Aug 92

[Text] Tokyo, Aug. 27 KYODO—The Foreign Ministry proposed Thursday a structural overhaul to improve its information gathering and policy making capabilities by forming two new bureaus and establishing a consulate in Dubai.

The proposals, included in the ministry's budgetary request for fiscal 1993, are a response to criticism it was unprepared for the 1991 Persian Gulf war.

The ministry is seeking to form a Comprehensive Policy Bureau and an International Information Bureau.

The Comprehensive Policy Bureau would absorb the United Nations Bureau and be responsible for overall diplomatic strategy, scrapping an approach under which each bureau is separately responsible for its own policy area, the ministry said.

The Comprehensive Policy Bureau would serve as the core policy formulating body for the ministry, particularly during emergencies like the Gulf war.

It would contain divisions dealing with policy coordination, policy planning, security, and United Nations affairs. It would also have two departments, one specializing in arms control and science and technology and the other dealing with international cooperation.

These departments would have divisions dealing with disarmament, nuclear power, human rights, and global issues.

The International Information Bureau would be a reshaped version of the information analysis, research and planning bureau, dealing with the collation, analysis, and dissemination of information.

The proposals also contain a plan for videophone links between the ministry and diplomats overseas, starting next year with Washington, London, and Beijing.

Ministry Seeks Hike in FY 1993 ODA Budget

OW2708132092 Tokyo KYODO in English 1309 GMT 27 Aug 92

[Text] Tokyo, Aug. 27 KYODO—The Foreign Ministry plans to seek a 9.4 percent increase in Japan's Official Development Assistance (ODA) in its budget request for the fiscal 1993 national budget, ministry officials said Thursday.

The ministry's total budget request for fiscal 1993 is 678.1 billion yen, up 9.1 percent from the initial budget for the current fiscal year, the officials said.

Of the total, 525.9 billion yen will be allocated for ODA programs designed to assist Third World countries in their efforts to promote market economies and preserve the environment, up 9.4 percent, they said.

They said that among the major ODA outlays are 28.5 billion yen in aid for economic restructuring to African nations and 1.6 billion yen in technical assistance to East European countries.

Both are aimed at helping those nations democratize and convert to market economies, the officials said.

Environmental preservation includes aid to developing nations for sewage and water networks, waste-treatment facilities, and research for development projects, they said.

Among the non-ODA requests are 698 million yen for assisting reform in the former Soviet republics, 2.6 times this fiscal year, and 1.59 billion yen in expenses for the Group of Seven (G-7) summit to be held in Tokyo next year.

LDP Proposes Economic Stimulus Package 28 Aug

OW2808025592 Tokyo KYODO in English 0244 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The ruling Liberal Democratic Party (LDP) proposed Friday an economic bailout package worth over 10 trillion yen, including an additional 3 trillion yen or more in public works spending.

If implemented, the pump-priming package would be the nation's largest aimed at rescuing the domestic economy from a prolonged slowdown which has been accompanied by asset deflation and tumbling stock prices.

The governing party's proposal will serve as the framework of an economic stimulus package to be announced later in the day by the government.

The LDP said in a statement that the economy is "in a serious situation characterized by a falloff of the real economy and concern about the financial system due to a fall in asset prices."

Describing the situation as unprecedented, the ruling party said the government should implement more than 10 trillion yen in economic measures, including fiscal ones.

The LDP said the government should:

—Spend an additional 3 trillion yen or more on public works projects, including those by local governments,

—Buy at least 1.5 trillion yen worth of land for future public works projects,

—Implement 1.8 trillion yen worth of local projects to stimulate local economies with a view to developing social capital in outlying areas,

—Expand by roughly 800 billion yen the scope of housing loans provided through the Public Housing Loan Corp. to promote housing investment,

—Cut taxes by 30 billion yen on business investment to promote corporate spending on plant and equipment,

—Take necessary measures to help financial institutions cope with such nonperforming assets as real estate held as collateral for bad loans,

—Ease regulations on postal insurance funds to allow more of them to be invested more indirectly in stocks,

—Relax rules on money trusts to permit assets of such trusts to be invested in stocks,

—Draft bills allowing corporations to buy their own stock,

—Lower the minimum unit of stock trading to lure individual investors into stocks and take measures to activate the stock market,

—Take measures to promote imports to maintain friendly relations with trading partners.

'Gist' of LDP Package Reported

OW2808034392 Tokyo KYODO in English 0326 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The following is the gist of an economic stimulus package adopted by the ruling Liberal Democratic Party [LDP] on Friday:

I. Expansion of public works projects:

1. Central and local government will secure more than 8 trillion yen to expand spending on public works projects aimed at improving people's quality of life.

Some 3 trillion yen will be set aside for high-priority projects to improve the infrastructure, such as construction of industrial waste disposal plants, sewerage, housing, parks, roads and highways, and airport and port facilities. Projects to recover from natural disasters will also be implemented quickly.

2. The government will buy more than 1.5 billion yen worth of land for public use to stimulate property transactions.

3. More than 500 billion yen will be earmarked for construction of various facilities aimed at improving and consolidating scientific and technological research and development and the social infrastructure.

4. Some 1.8 trillion yen worth of local projects will be aimed at reactivating local economies.

5. About 800 billion yen in additional funds will be earmarked for housing loans through the Housing Loan Corp. and other public institutions to promote housing investment. Interest rates on loans to buy existing housing will be lowered.

II. Measures for medium and small enterprises and for promotion of capital investment:

1. The national government will take the initiative in lending money to medium and small enterprises and promoting corporate capital investment. An additional 2 trillion yen will be earmarked for loans through public financing corporations and loan terms will be eased.

2. Tax credits of about 30 billion yen will be implemented to promote private investment for labor-saving and restructuring. The step is expected to prompt some 1 trillion yen in capital investment.

3. Electric and gas utilities, Nippon Telegraph and Telephone Corp. and KDD (Kokusai Denshin Denwa Co.) will be asked to proceed with their capital investment programs.

III. Stabilizng of Financial Systems:

1. Financial institutions will be asked to work together to formulate a concrete program to amortize and promote transactions of property they hold as collateral. Such needed measures as tax incentives will be taken to promote liquidation of bad loans.

2. Necessary steps will be taken for smooth financing operations by financial institutions, with the government providing enough funds.

3. Adequate and flexible financial policies will be implemented by taking into account economic conditions at home and abroad and the international monetary situation.

IV. Revitalizing the Securities Market:

1. To revitalize the securities market, regulations on the operation of public funds will be eased. A total of 2.82 trillion yen will be disbursed in investment and loans.

2. Regulations on securities operations will be relaxed, allowing the use of securities for trusts. Investment in securities worth about 500 billion yen is expected.

3. Legislative steps will be taken promptly to allow corporations to purchase their own shares.

4. Other measures aimed at promoting investment in securities and reactivating the stock market will be taken, such as lowering the minimum stock trading unit.

V. Promotion of imports:

Recognizing that maintaining favorable relations with trading partners is indispensable for the development of the Japanese economy, necessary steps to promote imports will be taken.

Business Leaders Welcome Package

OW2808051192 Tokyo KYODO in English 0459 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Japan's business leaders Friday generally welcomed the economic-stimulus package worth over 10 trillion yen proposed earlier in the day by the governing Liberal Democratic Party (LDP).

Gaishi Hiraiwa, chairman of the Federation of Economic Organizations (Keidanren), told reporters that he lauds the LDP package which is largely aimed at reviving Japan's stock market and financial sectors.

The situation is serious in not only the entire economy but particularly in the securities and financial industries, he said.

Rokuro Ishikawa, chairman of the Japan Chamber of Commerce and Industry (Nissho), said the scale of the package suggests the ruling party is determined to revitalize the nation's economy.

The LDP proposal will serve as the framework for the government's pump-priming package to be announced later in the day.

If implemented, it would be the nation's most ambitious special economic spending initiative since the one implemented in 1987.

Some other business leaders, however, said they still want the government to carry out further measures such as an income tax cut.

Takeshi Nagano, president of Japan Federation of Employers' Association (Nikkeiren), said the government "should consider an income tax cut sometime in the near future, if it is difficult to include one in the package this time. [no closing quotation marks as received]

Nissho's Ishikawa also said he was disappointed that the LDP proposal did not include a tax exemption for home repurchases and income tax cut.

He said he will continue calling for such tax incentives when the government begins deliberations in autumn on tax reform for the next fiscal year.

Stimulus Package 'Largest-Ever'

OW2808050892 Tokyo KYODO in English 0456 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The ruling Liberal Democratic Party [LDP] on Friday proposed its largest-ever stimulus package aimed at salvaging the nation's sinking economy.

The proposal calls for more than 10 trillion yen in fresh fiscal expenditures as a way of reversing what is threatening to become the worst slowdown in Japan's postwar period.

Economists said the size of the rescue plan was larger than expected, reflecting the depth of concern within the ruling party and government over the current business slump.

The centerpiece of the package is more than 3 trillion yen in additional public works spending and over 1.5 trillion yen for purchases of land for future public works projects.

It also contains 2.82 trillion yen for equity purchases using postal insurance funds.

The LDP said in a statement that the Japanese economy is "in an extremely serious situation due to the decline in the real economy and concerns about the financial system generated by falling asset prices."

"If this unprecedented situation is not addressed, it will have a grave effect on the people's standard of living and make it difficult for Japan to play its international role," the party said.

"It is necessary to take all comprehensive and effective steps possible for an early recovery of the economy," it said.

Yoshiro Mori, chairman of the LDP Policy Research Council, said the party chose to make the package unprecedentedly large at the eleventh hour, recognizing the importance of supplying "impact" to the real economy.

The package exceeds the widely anticipated scale of 9 trillion yen and is by far the largest ever of this kind.

Mori told a news conference he hopes the spending plan "will engender expectations" of recovery.

He ruled out the issuance of deficit-financing bonds to finance the package, claiming construction bonds and money from the fiscal investment and loans program will cover the costs.

With over 3 trillion yen in additional spending, total outlays for public works projects will surpass 8 trillion yen in the current fiscal year, larger than 5 trillion yen shelled out in fiscal 1987, when the economy was languishing in a recession after a sharp rise in the yen.

Also on the fiscal spending menu is 1.8 trillion yen for projects sponsored by local governments, over 500 billion yen to augment public facilities, and 800 billion yen of expansion in loans from the Public Housing Loan Corp.

To help small companies, the plan proposes more than 2 trillion yen in additional loans by governmental financial institutions.

The package also calls for completing the private-sector project by year's end to help liquidate real estate held by banks as collateral against bad loans.

It does not provide for any government financing for the project, proposing only tax incentives for disposing of such real estate.

Economists welcomed the LDP package as a positive step toward securing the recovery.

"The size of the package clearly shows the authorities have finally realized that their official view on the economy had been much too optimistic," said Mineko Sasaki-Smith, chief of the economic research at Credit Suisse.

"This will create the perception among investors that the worst senario will be avoided," she said.

But Sasaki-Smith said the stock market overreacted a bit to the package in a rally (?the last) week.

Once investors' euphoria wanes and they realize it will take some time for the overall economy and corporate performance to start recovering in earnest, she said, "chances are that the stock market will retreat again."

With the supply-demand balance in the stock market still unfavorable, the volatility will continue, Sasaki-Smith said.

But she added investors are now ready to gradually bid the market up.

Banks Acclaim Economic Package

OW2808130992 Tokyo KYODO in English 1243 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—Japanese banks Friday acclaimed the government's economic-boosting package which paid heed to the troubles facing financial institutions now that the "bubble" economy has collapsed.

Tsuneo Wakai, chairman of the Federation of Bankers Association of Japan, said he is very hopeful that the package, which covers many facets of the economy from anemic demand to asset deflation to the battered financial system, will buoy the economy.

The banking industry particularly welcomed the 10 trillion yen-plus package because it includes a proposal to start a private-sector project by the end of the year to buy real estate held by banks as collateral against bad loans.

The banks' failure to dispose of the real estate has hurt their balance sheets, spawning fears of a possible financial market depression.

Some analysts, however, were skeptical about the program.

An official of a leading commercial bank said the real estate plan will not be much help because banks will be forced to sell the property for low prices to avoid angering the public, which has become very sensitive to land prices.

Some also expect rough going in creating the land-buying agency as many knotty issues still must be worked out, such as the capital participation of banks and the definition of property to be bought.

Opposition Parties Critical

OW2808131492 Tokyo KYODO in English 1255 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The Social Democratic Party (SDP), the Democratic Socialist Party (DSP), and the Japanese Communist Party (JCP) on Friday criticized the government's economic stimulus package announced earlier in the day.

Another opposition party, Komeito, said the 10 trillion yen package was basically "appropriate."

The top opposition SDP said in a statement that the package could rekindle the speculative "bubble" economy of the late 1980s, characterized by soaring stock and real estate prices. It said the government ignored an opposition demand for income tax cuts as part of the package. The package's proposed expansion of public works spending should put priority on housing needs, the environment and welfare facilities, the party said.

The centrist DSP said the package comes "too late." The DSP also said it hopes the government will take care to avoid increases in land prices when it implements the package's proposal to purchase land for future public works projects.

The JCP called for the repeal of the package, saying it is aimed at passing on the results of the failure in the speculative bubble economy to the victimized people.

Defense Agency To Cut Weapons Spending

OW2808112492 Tokyo KYODO in English 1108 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The Defense Agency unveiled Friday a 4.72 trillion yen budget request for fiscal 1993, including a 6.8 percent cut in spending on front-line weapons systems.

The request reflects a Finance Ministry decision made in June, when an appropriations ceiling system was put in place to limit budget requests increases to 3.6 percent over the previous fiscal year.

The agency's requests for heavy weapons spending will fall 6.8 percent from fiscal 1992 to about 926.1 billion yen, or 19.6 percent of the proposed budget, marking a second consecutive year-on-year drop for such spending.

Reflecting ongoing reexamination of the midterm defense capabilities plan from fiscal 1991 to 1995, the new contracts for front-line systems, including deferred payment for weapons and primary equipment from previous years, will total some 963.8 billion yen.

Personnel and food expenses for the Self-Defense Forces (SDF) were about 1.953 trillion yen or 41.4 percent of the total budget request.

Spending on projects such as improving living quarters and constructing recreational facilities for SDF personnel will total about 1.837 trillion yen or 39.0 percent, up 9.6 percent from fiscal 1992.

As for front-line systems, the agency has virtually given up on purchasing an Airborne Warning and Control System (AWACS) for the Maritime Self-Defense Force.

But a highlight of the Maritime Self-Defense Force spending plan is a request for procurement of a fourth destroyer equipped with the advanced Aegis surface-to-air missile system, and for a 8,900-ton troopship to be put into operation in fiscal 1997.

The agency is also requesting funds for 376 Belgium-made machine guns and nine launch vehicles for short-range, ground-to-air missiles for the Ground Self-Defense Force.

For the Air Self-Defense Force, the agency budget request calls for eight F-15 jet fighters and a set of Patriot ground-to-air missiles.

The agency is asking for 16 million yen as funds related to the UN peacekeeping operations bill, including costs for sending doctors to study in the U.S.

The budget request also calls for spending to defray the cost of stationing U.S. military forces in Japan, which totals 99.7 billion yen, up 33 percent from fiscal 1992.

Ratio of Job Openings to Job Seekers Drops

OW2808012292 Tokyo KYODO in English 0048 GMT 28 Aug 92

[Text] Tokyo, Aug. 28 KYODO—The ratio of job openings to job seekers in July dropped below 1.05 for the first time in four years because of the sluggish economy, the Labor Ministry said in a monthly report released Friday.

The ratio for July stood at a seasonally adjusted 1.04, the same figure as July 1988, the report said. The ratio has ranged between 1.04 and 1.47 since July 1988.

The figure means there were 104 job openings for every 100 people seeking jobs in July.

The July ratio was down 0.04 percentage points from June, the report said. It declined for the 16th consecutive month since it stood at 1.47 in March 1991.

The officials said they cannot rule out the possibility of the ratio falling below 1.0, meaning there will be more job seekers than openings.

In addition, Japan's seasonally adjusted unemployment rate stood at 2.2 percent in July, up 0.1 percentage point over June, according to a separate report released by the management and coordination agency.

The rate has been between 2.0 and 2.2 percent since June 1989.

The size of the work force, including the unemployed, stood at 66.14 million in July, an increase of 380,000 or 0.6 percent from last year, the preliminary government report said.

The male work force totaled 39.20 million, up 1.0 percent, and females 26.94 million, down 0.1 percent.

The number of unemployed people in July totaled 1.34 million, an increase of 10,000 or 0.8 percent over an year earlier, and comprised 780,000 men and 560,000 women.

The number of employed people stood at 64.80 million in July, an increase of 370,000 or 0.6 percent—38.41 million of them men and 26.39 million were women.

A breakdown of those with jobs showed there were 8.43 million self-employed, down 3.9 percent from a year before, 4.6 million family business workers, down 8.4 percent, and 51.58 million salaried workers, up 2.2 percent.

By industry, agriculture-forestry accounted for 4.21 million, down 3.7 percent from a year before, construction 6.26 million, up 4.0 percent, manufacturing 15.78 million, up 1.0 percent, wholesale-retail and food services 14.36 million, up 0.6 percent, and services 14.59 million, down 0.1 percent.

North Korea

Daily Notes U.S. Republican Party's Platform

SK2808070992 Pyongyang KCNA in English 0451 GMT 28 Aug 92

["Ridiculous Smear Campaign of Aggressor"—KCNA headline]

[Text] Pyongyang, August 28 (KCNA)—The United States vowed to help "deter aggression from North Korea," referring to it as an "outlaw state," in a "platform" adopted at the recent Republican National Convention.

Commenting on this, a NODONG SINMUN analyst today says:

This tells that the United States is intending to keep its forces in South Korea and justify its war moves still today under the wornout pretext of "threat from the North."

The U.S. argument about somebody's "aggression" in the "platform" of the ruling Republican Party shows that there is no change in the U.S. policy aimed at keeping South Korea under occupation of its forces and containing our country and neighbouring countries with South Korea as the foothold and, furthermore, at establishing domination and control over the Asia-Pacific region.

As for the Republican "platform's" characterization of our Republic as an "outlaw state" it is a ridiculous act that makes no sense.

The United States itself which is acting arbitrarily, regardless of international justice, illegally occupying other's territory and trying to dominate others by force, should be called the outlaw state without an equal in the world.

Obviously, the authors of the "platform" did not discard their arrogance in deciding on the legality and illegality of other countries in a self-opinionated way, trying to instruct others.

The United States must look squarely at the trend of the changed times and stop its anti-DPRK campaign and withdraw its forces from South Korea without delay.

Focus Lens Exercise 'Grave Challenge' to Peace

SK2708051092 Pyongyang KCNA in English 0436 GMT 27 Aug 92

["Dangerous Play With Fire Must Be Stopped"—KCNA headline]

[Text] Pyongyang, August 27 (KCNA)—The Focus Lens war exercises of the U.S. imperialists and the South Korean authorities are, to all intents and purposes, a premeditated military action to invade the DPRK, which is intended to check the process of detente on the Korean peninsula and aggravate the North-South relations which are developing favourably. It is a grave challenge to the Korean people and world peaceloving people who desire peace on the Korean peninsula and its peaceful reunification.

NODONG SINMUN says this in a commentary today.

The United States and the South Korean authorities, notes the analyst, are letting loose a spate of sophism in an attempt to justify the Focus Lens. But it will never go down with anyone.

We cannot overlook the attempts of the United States and the South Korean authorities to bring the situation on the Korean peninsula back to the original point of confrontation before the adoption of the North-South agreement by ceaselessly staging war exercises.

Since the North and the South of Korea vowed nonaggression, the United States has no ground to take any military action against the North together with the South Korean authorities and it is only obliged to get out of South Korea, taking along its troops and mass destruction weapons.

The United States and the South Korean authorities must stop the dangerous play with fire which is rendering the situation on the Korean peninsula strained and blocking the implementation of the North-South agreement against the international trend toward detente.

If they further aggravate the tensions on the Korean peninsula with unending military exercises, defying our repeated warnings, they will have to bear full responsibility for all the consequences arising therefrom.

Kim Il-song Receives Italian Institute Leader

SK2808065492 Pyongyang KCNA in English 0508 GMT 28 Aug 92

[Text] Pyongyang, August 28 (KCNA)—The great leader President Kim Il-song today received Giancarlo Elia Valori, general secretary of the Italian Institute of International Relations, on a visit to Korea.

Kim Yong-sun, secretary of the C.C. [Central Committee], the Workers' Party of Korea, was on hand.

President Kim Il-song conversed with the guest in a cordial and friendly atmosphere.

The general secretary presented him with a gift.

He hosted a luncheon for the guest.

PLA Friendship Delegation Visits Mangyongdae

SK2708061092 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 23 Aug 92

[Text] The visiting Chinese People's Liberation Army [PLA] friendship delegation led by Song Qingwei, political commissar of the Jinan Military Region, visited Mangyongdae.

The guests visited the old home of Mangyongdae where the great leader Comrade Kim Il-song was born and fostered his lofty will for the liberation of the country. They listened to the immortal story about this historical house and looked at the relics. The delegation had its picture taken to commemorate its visit to the old home of Mangyongdae.

The visiting delegation visited the Korean People's Army [KPA] unit to which Comrade (?Ok Pong-nin) belongs. The KPA unit receiving the visitors put up slogans reading: We warmly welcome the Chinese PLA friendship delegation. Long live the indestructible friendship and unity cemented in blood between the peoples and armies of Korea and China.

When the visitors arrived, the soldiers warmly welcomed them. A woman soldier offered a bouquet to the head of the delegation. The visiting delegation went round the unit.

The visitors then visited the Taean Heavy Machinery Complex, Sohae Lockgate, and Panmunjom, and toured Mt. Kumgang.

Meeting Marks Anniversary of Libyan Revolution

SK2808064092 Pyongyang KCNA in English 0428 GMT 28 Aug 92

[Text] Pyongyang, August 28 (KCNA)—A meeting was held here Thursday to mark the 23rd anniversary of the Great September First Revolution in Libya.

Speaking at the meeting, chairman of the Korea-Libya Friendship Association Han Ki-chang who is also chairman of the C.C. [Central Committee], the General Federation of Trade Unions said that after the victory of the revolution the Libyan people have achieved many successes through their vigorous struggle for the independent development of the country and the building of a new society even in face of ceaseless imperialist moves toward aggression and interference.

The Korean people extend full support to and firm solidarity with the Libyan people in their struggle for defending the national independence and sovereignty and safeguarding the achievements of the September First Revolution, he said, and stressed:

Our people will actively strive, in the future, too, to consolidate and develop further the friendly and cooperative relations between the two countries in accordance with the idea of independence, peace and friendship.

Acting secretary of the People's Committee of the People's Bureau of Libya in Korea Ahmad abd-al-Salam al-Ashhab in his speech said:

The friendly relations between the two peoples have developed to a high stage under the wise leadership of the great leader President Kim Il-song and the leader of the great September first revolution Colonel Mu'ammar al-Qhadhdhafi, and this friendship will be everlasting in the future.

He expressed firm solidarity with the brave and just struggle of the Korean people to reunify the Korean nation, attain the prosperity of the country and make the Korean peninsula a nuclear-free and peace zone.

We highly appreciate the great successes achieved under the wise leadership of the great leader of the Korean people his excellency Kim Il-song and the dear leader his excellency Kim Chong-il, he said, adding: We are highly proud of them as of our own.

A congratulatory letter to the leader of the Great September First Revolution was adopted at the meeting.

North-South Political Meeting Held 28 Aug

SK2808131392 Pyongyang Korean Central Broadcasting Network in Korean 1211 GMT 28 Aug 92

[Text] The seventh meeting of the Political Subcommittee of the North-South high-level talks was held in public today in the South side's area of Panmunjom.

Speaking at the meeting, our side's chairman said that certain progress has been made in the discussion of the annexed agreement's content and in arranging the texts of the documents through the contacts of the chairmen and members conducted for nearly two months since the sixth meeting of the Political Subcommittee, but that it is very little in comparison with all the fellow countrymen's expectations. He then noted that despite our sincere efforts, the two sides have not been able to reach a compromise agreement on some basic and principles issues. Next, he strongly took to task the South side for its delaying tactics in not sincerely implementing the North-South agreement, to which it swore before the nation, saying that the South side was entirely to blame for the Political Subcommittee lagging behind other subcommittees in terms of working out the annexed agreements, as well as the absence of any progress in the discussion of issues at the Joint Reconciliation Committee, citing specific facts.

Our side's chairman noted that the deadline for finalizing the annexed agreement in the field of reconciliation and for forming the joint reconciliation subcommittee as promised by the two sides is only two weeks away and stressed the principle issues designed to prompt new changes in running the meetings and discussion methods. They are: first, to have the firm will to form the annexed agreement and to form a reconciliation joint committee, without fail, before the eighth round of the North-South high-level talks; second, to remove antireunification and division-oriented [punnyol chihyangjok] assertions that run counter to the spirit of the North-South agreement; third, not to tolerate toadyist and outsider-dependent contents in forming the annexed agreement under any circumstances; and, fourth, to approach the discussion of the issues on the principle of placing the North-South agreement in the highest position when it comes to the current North-South relations and subjugating everything to it.

Our side's chairman demanded that, after quickly concluding the discussion of the annexed agreement on the basis of such a principled position, both sides begin discussing the proposed agreement on forming and operating the joint reconciliation committee. Then, our side's chairman presented a new proposal on a momentous counterproposal for the annexed agreement and on forming and operating the joint reconciliation committee.

However, from the beginning, the South side arbitrarily analyzed the North-South agreement, which had been confirmed before all the fellow countrymen. The South side maneuvered to place the responsibility for the delay of finalizing the annexed agreement on us. While saying that the North and the South should recognize the current political entity and that Korea is not one, the South side more openly revealed its position to perpetuate division and to fabricate two Koreas.

Even worse, the South side said that it is a party to the conclusion of the Korean Armistice Agreement. Thus, the South side let loose a sophistry to legalize the U.S. forces' occupation of South Korea. In addition, while creating a grave stumbling block to dialogue by constantly kicking up a nuclear racket and war exercise rows against us, the South side made groundless remarks to us as if we were creating the stumbling block to finalizing the annexed agreement, which is like a thief calling another a thief.

In connection with this, our side said that the responsibility for the delay in finalizing the annexed agreement does not lie with our side, because our side has repeatedly presented counterproposals to produce the annexed agreement before the eighth North-South high-level talks and has been sincere. Our side noted that the South side raved to our face that the nuclear issue is not a precondition. Our side also noted that the South side said behind our back that unless the nuclear issue is resolved, no progress in North-South relations can be expected. Our side added that the South side has constantly kicked up the nuclear racket and war exercise rows against the dialogue partner. Our side strongly claimed that the responsibility for the delay in finalizing the annexed agreement entirely lies with the South side.

The South side said that North-South relations are special and that Korea is not one. Our side claimed that the South side's antinational and splittist nature has become more clear.

Our side asked the South side why it is trying to adopt the annexed agreement as a public document that legalizes the two Koreas and two states. Our side also asked the South side whether or not it intends to achieve reconciliation and reunification, as promised to all the fellow countrymen.

Struck dumbfound in the face of our side's open and aboveboard charge, the South side said that it also has been trying to be faithful to the implementation of the North-South agreement and that the nuclear issue is not a precondition for implementing the North-South agreement, making poor excuses.

Once again, stressing that it is our firm and unwavering will to finalize the annexed agreement and inaugurate the joint reconciliation committee before the eighth round of the North-South talks in accordance with the points agreed on between the two sides, our side again strongly urged the South to no longer make the nuclear issue thrust on it by the United States a precondition for implementing the points agreed on between the two sides and to act judiciously by taking the position of national independence after abandoning the policy of depending on outside forces.

Our side revealed the fact that the counterproposal brought by the South side today for the annexed agreement was nothing but a division-oriented and outsider-dependent one that retains the unnecessary provisional chapter in its composition, conceals the intention to legalize the division, has a few secondary items rewritten, and essentially has no differences from the previous proposal. Our side called on the South side to come to the next meeting after studying more deeply our open and aboveboard counterproposal for the annexed agreement and the proposal for an agreement on forming and running the joint reconciliation committee.

Following the subcommittee meeting, the two sides' chairmen met in camera and discussed a few working issues. The two sides agreed to set the date for the next meeting via the liaison office at Panmunjom.

Kim Yong-nam Leaves for Nonaligned Meeting

SK2608130392 Pyongyang KCNA in English 1023 GMT 26 Aug 92

[Text] Pyongyang, August 26 (KCNA)—Vice-Premier and Foreign Minister Kim Yong-nam left here today by air to participate in the Non-Aligned Foreign Ministers Conference to be held in Indonesia before the 10th Non-Aligned Summit.

He was seen off at the airport by First Vice-Minister of Foreign Affairs Kang Sok-chu and Indonesian Ambassador to Korea R. Muhamad Muharam Sumadipraja.

Yon Hyong-muk Attends Youth Day National Meeting

SK2708230292 Pyongyang KCNA in English 1018 GMT 27 Aug 92

[Text] Pyongyang, August 27 (KCNA)—A grand national meeting commemorating the 65th anniversary of the founding of the Young Communist League of Korea (YCLK) organized and led by the great leader President Kim Il-song and the first anniversary of Youth Day was held at the February 8 House of Culture here today.

Choe Yong-hae, member of the C.C. [Central Committee], the Workers' Party of Korea and chairman of the Central Committee of the League of Socialist Working Youth of Korea, delivered a report at the meeting.

The founding of the Young Communist League of Korea by the great leader Comrade Kim Il-song on August 28, 1927, 65 years ago, was a historical event of great significance in the revolutionary struggle of our people for the independence of the country and the liberation of the nation and in the development of the youth movement, the reporter said.

With the formation of the Young Communist League of Korea, a more effective unified leadership of the great leader Comrade Kim Il-song over the Korean revolution as a whole and the youth movement in Korea was established and our people and youth became able to vigorously carry the revolutionary cause of chuche to accomplishment with their powerful vanguard detachment.

The Young Communist League of Korea under the wise leadership of the great leader Comrade Kim Il-song successfully played its vanguard role in developing the anti-Japanese national liberation struggle and the communist movement in Korea and performed imperishable feats in the history of the revolutionary struggle of the Korean people.

The League played a pivotal and fundamental role in forming a revolutionary party organisation of a new type and accelerating the cause of founding the party in Korea and made an undying contribution to the victory of the anti-Japanese armed struggle and accomplishment of the historic cause of national liberation.

Our young people who inherited the brilliant traditions of the anti-Japanese revolution have made brilliant exploits in the building of a new society after the liberation, in the grim Fatherland Liberation War, in the postwar rehabilitation and construction and in socialist construction, the reporter said, and continued:

Our party instituted Youth Day last year and took a step to commemorate the historic day when the great leader Comrade Kim Il-song founded the Young Communist League of Korea as Youth Day. This was an epochal step of great significance in developing the work with the young people.

With the institution of Youth Day, the Korean youth movement entered a new road of development, the reporter said.

The Youth Day, he went on, is a political festival which demonstrates the unshakable will of the Korean youth to advance along the road of socialism and communism, united around the party with a single heart and an auspicious revolutionary holiday of the new generation of Korea.

A remarkable change has taken place in the ideological and spiritual traits of the young men and women of Korea. They are devoting all their energies and wisdom to the country and the people, to the society and the collective and are vying with one another in turning out to difficult and toilsome domains of socialist construction.

The reporter urged the youth to devote themselves to the struggle for resolutely defending and accomplishing the socialist cause of chuche.

Our young men and women should continue to valiantly wage a joint struggle to accomplish the historical cause of national reunification in the 1990s, firmly united with the South Korean youth and students and all the Korean youth and students overseas under the banner of great national unity, he stressed.

Present at the meeting were Yon Hyong-muk, member of the Political Bureau of the C.C., the Workers' Party of Korea and premier of the Administration Council, and other personages concerned.

Meeting Detailed

SK2808141592

[Editorial Report] Pyongyang Korean Central Broadcasting Network in Korean at 0657 GMT on 27 August carries live coverage of a 58-minute central report meeting at the 8 February House of Culture to commemorate the 65th anniversary of the founding of the Young Communist League of Korea (YCLK) and the first anniversary of Youth Day. In attendance is Yon Hyong-muk, member of the Political Bureau of the Central Committee of the Workers Party of Korea (WPK) and premier of the State Administration Council; Kim Chung-nin, secretary of the WPK Central Committee; other functionaries; anti-Japanese fighters; heroes; and labor innovators. At the meeting, Choe Yong-hae, member of the WPK Central Committee and chairman of the Central Committee of the League of Socialist Working Youth of Korea (LSWYK) gives a 55-minute speech.

Choe begins with: "On the occasion of the 65th anniversary of the founding of the YCLK and the first anniversary of Youth Day, I, in the name of the WPK Central Committee, express lofty respects to the anti-Japanese revolutionary martyrs and patriotic martyrs who devoted their noble youth to the country's independence and the people's freedom and liberation."

Choe notes the history of the YCLK, led by Kim Il-song. Choe says that with the founding of the YCLK, the great leader Comrade Kim Il-song's unified leadership of the overall Korean revolution and the youth movement could be more smoothly realized. Choe describes the YCLK's contributions to building and expediting a new type of revolutionary party in the DPRK.

Choe notes Kim Il-song's leadership in the youth movement in the DPRK right after national liberation in 1945 by organizing the Demorcratic Youth League (DYL), which "inherited the tradition of the YCLK," and by reorganizing the DYL into the LSWYK. Choe notes youths' contributions to building a new society after national liberation, their heroic fight during the Korean war, and their contributions to the postwar construction projects and socialist construction.

Choe cites Kim Chong-il's instructions to strengthen indoctrination work among young people and stresses the need to strengthen the present LSWYK organizations. Noting the significance of the party's institution of Youth Day in 1991, Choe says that this was "an epochal step of great significance in developing the work with the young people."

Urging young people to devote themselves to the chuche revolutionary cause as the new generation of the revolution, Choe notes that "a remarkable change has taken place in the ideological and mental traits of young people, and the ideological and mental status of our young people is very good." He continues that this is clear proof that "the youth problem has been most outstandingly resolved under the the wise leadership of the party."

Choe says that "socialism has been frustrated and the youth movement has degenerated and collapsed recently in some countries; consequently, the destiny of young people is in a miserable situation." He notes that the DPRK's youth movement is achieving steady development under the tested leadership of the party on the sound foundation of the youth movement and that this is the infinite pride of the people and youths.

Choe stresses that the young people's mission and responsibility is to defend and consummate the chuche revolutionary cause. He urges them to smash the imperialists' maneuvers against the DPRK and socialism and concludes by saying that "young people should cope with the imperialists' and reactionaries' manuevers with a high degree of vigilance and should live and work in a revolutionary manner" and that "young people should prevent even the slightest element of unsound capitalist lifestyle, including the wind of liberalization, from infiltrating within."

Power Production in Chagang Province Reported

SK2708231092 Pyongyang KCNA in English
1504 GMT 27 Aug 92

[Text] Pyongyang, August 27 (KCNA)—Chagang Province situated in the northwestern inland of Korea holds a big share on the nation's power output.

The province has one hundred and several dozen big and small power stations including the Changjagang power station, the first one built in Korea by domestic after the liberation.

About ten hydraulic power stations operate on river Changja which flows into river Amnok from the Nangnim Ranges, and its tributaries.

Over the last ten years, large hydraulic power stations including the Wiwon power station and many minor ones have been built, adding 4.5 billion kwh to the yearly generating capacity.

Thus the power industry of the province which began from scratch after the liberation is now producing tens of billions of kwh of electric power every year, contributing to the development of the national economy.

The Kanggye youth power station which was put into operation in the 1960s has increased the generating capacity 30 percent by steadily improving technology and introducing automation and telemechanics.

Power output has been constantly boosted at the Wiwon and Changjagang power stations through better control of equipment and technical control.

Many minor power stations built on the rivers and streams of the province are increasing production by improving the control of structures and utilizing water rationally.

Now the building of scores of minor power stations is being energetically accelerated in the province.

South Korea

N-S Political Subcommittee Meeting Begins

SK2808043192 Seoul KBS-1 Radio Network in Korean 0400 GMT 28 Aug 92

[Text] North and South Korea began the seventh Political Subcommittee meeting today in Panmunjom. They are now discussing how the North and South can stop slandering each other, turn the armistice into a state of peace, and not interfere in each other's internal affairs.

In today's meeting, our side proposed that the North and South exclude the issues of the signing of the peace agreement and how to deal with the treaties each signed with third countries, as well as other issues from the supplementary agreement.

Our side said: The North side must not try to revive the one-Korea policy, which has become ineffective because of the adoption of the North-South agreement, in working out the supplementary agreement. A provision on the existence of special relations between the North and South must be included in the general rule or any other provision in the supplementary agreement.

N-S Fail To Narrow Differences

SK2808103292 Seoul KBS-1 Radio Network in Korean 0900 GMT 28 Aug 92

[Text] North and South Korea held a plenary session of the Political Subcommittee to the North-South high-level talks and a contact between the subcommittee chairmen in succession today at Panmunjom. They discussed the issue of adopting an annexed agreement on reconciliation but failed to narrow the differences of opinion. They decided to continue the negotiations at the chairmen's contact slated for early next month.

North and South Korea intensively discussed such core disputed points as how to stop the mutual denunciation and slandering, how to turn the armistice into a peace agreement, and how to remove the legal and institutional devices governing reunification.

In a keynote speech delivered by Chairman Yi Tong-pok, our side proposed that the North and South exclude the issues of signing a peace agreement and dealing with treaties signed by each side with third countries, which both sides had already withdrawn during the negotiations to adopt the North-South agreement in December 1991. Also, our side asked North Korea to send to our side its laws and ordinances, 67 altogether, including one on the establishment of the State Security Department.

At today's meeting, the North presented a draft for the formation of a joint committee on reconciliation for the first time, but no practical discussion occurred on this.

Paper Notes U.S. To Sign Memorandum With North

SK2808045992 Seoul CHOSON ILBO in Korean 28 Aug 92 p 1

[Text] It was learned on 27 August that the United States has decided to sign a memorandum of understanding with North Korea to solve the issue concerning the repatriation of remains of U.S. soldiers killed during the 25 June war.

If signed, the memorandum of understanding which is an intergovernmental agreement, would be the first document signed between the United States and North Korea since the signing of the Armistice Agreement in 1953. The memorandum would be signed through the U.S. Armed Forces Command in the ROK.

Significant is how the planned memorandum's signing will be announced because the United States, in particular, has used the issue of repatriating the remains as a yardstick for measuring possibilities for improving relations with hostile countries. This issue is also being earnestly handled right after the establishment of ROK-PRC diplomatic relations.

The United States and the ROK plan to propose to the North Korean side joint investigations into the North Korean area to confirm whether there are U.S. soldiers remains in North Korea. They plan to propose to North Korea the formation of a liaison office in the Military Armistice Commission [MAC] that will be responsible exclusively for this issue. The United States and the ROK will propose the holding of a MAC secretaries' meeting in Panmunjom sometime next week to seriously negotiate the repatriation.

A high-ranking ROK Government source said on 27 August: "When North Korea repatriated the remains of 15 U.S. soldiers on 13 May, it demanded the signing of a intergovernmental memorandum of understanding with the United States." This source also said: "We know that the United States and the ROK agreed in working-level consultations to accept the North Korean side's proposal for negotiations on the memorandum of understanding. The memorandum would not solely carry the name of the United States but would carry the name of the United Nations Command." The source also said: "We know that the draft memorandum of understanding to be presented to North Korea includes such important provisions as the collection of information on the remains and a joint investigation by a U.S.-North Korean investigation team into the areas where the remains may be.

SRV Envoy: No Barrier to Normalization of Ties

SK2808053792 Seoul YONHAP in English 0519 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (OANA-YONHAP)—South Korea and Vietnam need look only toward the future, where nothing bars the way to full diplomatic normalization, Vietnamese Ambassador to Thailand Nguyen Trung said Thursday.

Trung, in Seoul for a four-day visit at the Foreign Ministry's invitation, was deeply involved in Seoul-Hanoi diplomatic talks, which were held mainly in Thailand.

The two countries severed ties in 1975, after South Vietnam was communized by the north, but officials here say they will restore full relations this year. Seoul opened a liaison office in Vietnam last month, and Hanoi is expected to open its office here some time next month.

Asked when the relations could be normalized, Trung said it all depended on bilateral efforts.

"There is no barrier to diplomatic normalization, and everything is proceeding well. A tree does not grow overnight," he said.

Commenting on South Korea's participation alongside the United States in the Vietnam war, Trung said he believed the two nations should look only toward the future.

"The past can give us experience, but we live in the present and the future. I believe the Vietnamese Government thinks the same way," he said.

The ambassador predicted that the United States would lift its embargo against Vietnam after its presidential election. Normalization would come after that, but Washington was expressing satisfaction with Vietnam's cooperation in solving the MIA/POW issue, he said.

Trung said he hoped no country would influence relations between South Korea and Vietnam.

He said the normalization of relations between South Korea and Vietnam is a bilateral issue of the two countries that cannot be influenced by a third party. "When it will happen depends on our mutual efforts," Trung said.

Seoul and Hanoi share a necessity for diplomatic relations and they are going toward the direction step by step, he said.

South Korean officials expect the two countries to set up full relations by the end of this year.

As Vietnamese envoy in Bangkok, Trung arranged a Hanoi visit by then South Korean Ambassador to Bangkok Chong Chu-yon before the two countries agreed to exchange liaison offices in April this year. Chong led South Korean side in the negotiations.

Asked about Hanoi's position on South Korea's participation in the Vietnam War, he said he personally believes that the relations between the two countries should be forward-looking.

"I think my government has the same opinion," Trung said.

The ambassador offered two main options for South Korean firms to work in Vietnam—to go into joint ventures with Vietnamese companies in manufacturing industries aimed at the Vietnamese domestic market and to open special economic zones in Vietnam and produce goods for third market consumption.

He said Korean companies are quite competitive in bidding on various projects including the development of the "Big Bear" oil field.

Trung is to meet with Kim Sok-u, director-general for Asian affairs at the Foreign Ministry, and Vice Foreign Minister No Chang-hui and observe cultural and industrial facilities around the capital before leaving Monday.

SRV, U.S. To Normalize Ties 'Soon'

SK2808075492 Seoul THE KOREA HERALD in 28 Aug English 92 p 2

[Text] Washington is expected to remove its economic embargo against Hanoi after the November presidential election in the United States, said a Vietnamese official yesterday.

Nguyen Trung, Vietnamese ambassador to Bankgkok, said the normalization of ties between the two countries will follow soon as the current U.S.-Vietnamese joint investigation into the issues of MIAs (missing in action) and POWs (prisoners of war) is progressing well.

U.S. officials are quite satisfied with the Vietnamese Government for the cooperation it is providing to solve the issues, said Trung, who is visiting Seoul as a guest of the Foreign Ministry. He arrived here yesterday.

Ministry Denies ROK-SRV Air Route Reports

SK2808113792 Seoul YONHAP in English 1022 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—The Ministry of Transportation Friday denied as not true some press reports that a direct air route between Seoul and Ho Chi Minh City of Vietnam would be opened by foreign airlines next month.

The reports had it that a French and a Vietnamese airlines have decided to open regular passenger service between Seoul and Ho Chi Minh City in September.

A Ministry official said Vietnamese Airlines cannot serve any Seoul route because there is no aviation agreement with Vietnam. No French airliners can fly to Seoul, either, unless the existing Korea-France aviation accord is revised to facilitate it, he said.

UN Charges DPRK With Violating Agreement

SK2708234392 Seoul YONHAP in English 0842 GMT 27 Aug 92

[Text] Seoul, Aug. 27 (OANA-YONHAP)—The United Nations Command [UNC] will maintain its role and status in South Korea even though both Koreas have joined the United Nations, rejecting North Korean demands for its dissolution, South Korean Foreign Ministry officials said Thursday.

The UNC, in a yearly activity report distributed to all U.N. members through the Security Council, charges North Korea with repeatedly interfering in the activities of the Military Armistice Commission [MAC] and the Neutral Nations Supervisory Committee and trying to disband them, the officials said.

The report says the UNC must continue to maintain peace until the Armistice Agreement signed to end the Korean war is replaced, the officials said.

The report says Pyongyang must accept not only inspections by the International Atomic Energy Agency but inter-Korean mutual inspections as well.

The UNC attached a special report the killing in May of three armed North Koreans intercepted while infiltrating the southern section of the Demilitarized Zone.

It describes the incident and notes that Pyongyang refused to attend the MAC meeting to discuss the incursion.

The report also notes that North Korea has refused to attend MAC meetings since March, when the UNC appointed a South Korean general as its chief representative.

The UNC, pointing to Article 20 of the Armistice Agreement, says in the report that each signatory has the authority to appoint its own chief representative and that this authority is not subject to other parties' approval.

South Selects Inter-Korean Cooperative Projects

SK2708232092 Seoul YONHAP in English 0648 GMT 27 Aug 92

[Text] Seoul, Aug. 27 (oana-YONHAP)—The government selected Thursday 64 inter-Korean cooperative projects, including the establishment of immigration offices and regular consultations at overseas missions, as first-phase tasks to be carried out after the two Koreas effectuated their protocols to launch joint commissions.

Vice Unification Minister Yim Tong-won chaired a meeting of officials from 17 government agencies to prepare for the inter-Korean prime ministers' talks in Pyongyang next month, when the two sides are expected to adopt the protocols needed to put the four commissions into operation.

In the case of the joint commission on reconciliation, its 15 tasks include establishing a working committee on legal matters, opening an immigration inspection mechanism, and regular consultation meetings at South and North Korean overseas missions such as New York, Geneva and Vienna for concerted action at international organizations.

The joint military commission will work on mutual prior notification of military unit movements and exercises, mandatory invitation of the other party to military exercises larger than a certain scale, installation of military hotlines and eight other areas.

The commission on economic cooperation will concentrate on the development of inter-Korean industrial complexes, conclusion of necessary agreements such as an investment guarantee, avoidance of double taxation and open accounts, and reconnection of ports and roads for direct trade among its 18 responsibilities.

The 20 projects for the joint commission on social and cultural cooperation include exchange of cultural troupes on national holidays celebrated on both sides and joint history research and collection of documents.

Unification Minister Choe Yong-chol is to convene an inter-ministerial meeting early next month to officially set the 64 projects.

DPRK Reportedly Told of PRC-ROK in Apr

SK2708232892 Seoul YONHAP in English 0645 GMT 27 Aug 92

[Text] Tokyo, Aug. 27 (YONHAP)—Makoto Tanabe, chairman of the Japan Socialist Party, said Thursday that China informed North Korea of its intention to establish diplomatic relations with South Korea in April.

In a briefing on a recent trip to China, Tanabe told the party's Central Executive Committee that Chinese Vice Premier Wu Xueqian explained to North Korean President Kim Il-song in April about the Chinese intention to normalize relations with Seoul.

Wu was in Pyongyang to attend celebrations for Kim's 80th birthday on April 15.

Tanabe said he got the information in a meeting with Wu. He was in China for one night, staying Monday and Tuesday.

He reported that North Korea was not surprised, unlike in 1990 when Seoul and Moscow established ties, since China had warned the government of its decision.

Normalization of PRC-ROK Relations Examined

SK2808071692 Seoul THE KOREA TIMES in English 28 Aug 92 p 2

[By staff reporter Sin Hak-nim]

[Text] The Chinese government's decision to establish formal ties with South Korea earlier than expected stems from its realistic appreciation of the rapidly changing situation in Northeast Asia as well as the globe, China watchers and Foreign Ministry officials agree.

First of all, China feels it necessary to take measures now to balance the rise of Japan as a regional military power and to prepare for the possible defeat of U.S. President George Bush in the November election, they said.

For these reasons, China has consistently pursued a good-neighbor policy with adjacent countries, especially since the 1989 crackdown of pro-democracy demonstrations in Tiananmen Square.

The Tiananmen Square massacre worsened the relations between China and the United States, pressured by Congress to take retaliatory measures against the Beijing government, they said.

After decades of enmity with India and Vietnam, China has also been seeking rapprochement and reconciliation.

China fears that the victory of Democratic Party candidate Bill Clinton in the November presidential election in the United States will bring about tremendous diplomatic burdens for China, according to a pro-Beijing journalist in Hong Kong.

Even if incumbent President George Bush is reelected, the Beijing government will have to pay prices for returning bilateral ties to normal as before the Tiananmen incident, he said.

On top of this, China thinks that now is the time to take measures to check Japan so that it cannot take hegemony in Asia and the Pacific. "Such Chinese efforts require the normalization of diplomatic relations with South Korea, another victim of Japanese colonial rule," a ranking Foreign Ministry official said.

Second, China might need support from the Korean Government in solving the dispute over the Spratly Islands in the East China Sea. The Chinese Foreign Ministry was supposed to have been criticized by the Communist Party for its acceptance of a resolution adopted by ASEAN foreign ministers last month, calling for self-restraint in the Spratly Islands dispute.

Third, Foreign Ministry officials said that China's decision on the setup of formal ties with South Korea might reflect a turnaround in the Beijing government's policy toward North Korea which is increasingly isolated from the international community and is in serious economic difficulty.

China's relations with North Korea had been regarded as a major hindrance to the diplomatic rapprochement between China and South Korea because China linked the setup of formal ties with South Korea to such relations between North Korea and Japan and the United States.

Because of the delayed settlement of the Pyongyang nuclear weapons development issue, a prerequisite for normalization of ties between Pyongyang and Tokyo and Washington, China might have felt the need for a new approach, a ranking Foreign Ministry official said.

In addition, he said, "Chinese leaders are believed to have judged that North Korea is increasingly a burden rather than an asset to them, following the end of the global Cold War confrontation and the breakdown of the Soviet Union, another major ally of North Korea."

"However, it does not follow that China wants North Korea to be further isolated from international community. To the contrary, Chinese leaders are likely to coax North Korea to help resolve the nuclear issue so that it may realize rapprochement with Tokyo and Washington," he said.

In fact, a North Korean suggestion for improvement of relations with the two Western countries came days after the setup of formal ties between Seoul and Beijing Monday.

Turning to the domestic situation in China, analysts said that China's setup of ties with South Korea testifies to the preponderance of reformists in the higher power hierarchy.

A senior diplomat in the just-opened Korean embassy in Beijing said, "Now, even some reactionaries in the military appear to feel the necessity of economic reforms for market-oriented economy.

"It seems that Chinese military leaders realized the powerfulness of the science and technology of the U.S. and other Western countries during the Gulf War and the collapse of the Soviet Union," said the diplomat.

'Cautious Approach' to PRC Construction Market

SK2808112992 Seoul YONHAP in English 0705 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—The government has decided to make a cautious approach to China's construction market by urging Korean construction companies to undertake projects jointly with Chinese and foreign interests, Construction Ministry sources said Friday.

The decision was made because there was a tendency in the Korean construction industry to jump into the Chinese market without thorough prior studies in the wake of the establishment of Sino-South Korean relations, the sources said.

A sudden inroad into Mainland China would also hamper the nation's current efforts to put a brake on rapidly deteriorating relations with Taiwan. Although diplomatic ties were severed with Taipei, they said the government hopes to maintain active private contacts with Taiwan.

The Construction Ministry plans to send Ministry officials to China to undertake market studies and gather information while concentrating in small projects discreetly in order not to upset the local industry, the sources said.

Moreover, since China lacks the ability to pay for large construction projects in cash, the Ministry will help Korean companies form tripartite ventures using Korea's actual construction and managerial skills with foreign companies' capital and technology and abundant Chinese manpower.

Meanwhile, Construction Ministry officials believe that Korean companies could be allowed to take part in projects in Taiwan by mid-1993 if private-level efforts to reestablish contacts with Taiwan are successful.

Trade Deficit With Japan Falls to $5 Billion

SK2708233792 Seoul YONHAP in English 0719 GMT 27 Aug 92

[Text] Seoul, Aug. 27 (YONHAP)—South Korea's trade deficit with Japan shrank to 5,088 million U.S. dollars in the first seven months of the year, down 343 million dollars from the same period a year earlier.

Exports to Japan fell 5 percent from a year earlier to 6,548 million dollars and imports were down 5.6 percent at 11,636 million dollars, the Trade and Industry Ministry said Thursday.

Meanwhile, Trade and Industry Minister Han Pong-su met with representatives of small- and medium-sized exporters to Japan on Thursday morning and urged them to strengthen their marketing and develop products that suit the taste of Japanese consumers.

Communications Minister Tenders Resignation

SK2808062992 Seoul YONHAP in English 0212 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—Song On-chong has tendered his resignation as communications minister because of the controversy surrounding the mobile phone project, ministry sources said Friday.

"I feel deeply responsible for the project's bringing trouble to the nation and the president. As head of the government office in charge of the project, I tried to vitalize the related industry by introducing competition into the mobile communications field," Song told reporters after announcing the government's position on Sunkyong's giving up of the costly project Friday morning.

The minister did not say he was resigning, but the sources said he had already submitted a resignation.

No Tae-u Rejects Resignation

SK2808113192 Seoul YONHAP in English 0714 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—President No Tae-u has rejected the resignations of Communications Minister Song On-chong and Yi Chin-sol, senior presidential secretary for economic affairs, in connection with the mobile phone project, presidential spokesman Kim Hak-chun announced Friday afternoon.

No said Song and Yi had not made any mistake and could not be held responsible for mishandling the second mobile phone project, according to the announcement.

"It is regrettable that trouble was caused by this project, but it has been handled impartially in accordance with the strict standards for selecting (the contractor) so there's no reason for them to resign," No said.

"Let there be no case in which public servants who have worked honestly with conviction be shaken by the incident," No said.

Sunkyong Abandons Mobile Telephone Rights

SK2708234092 Seoul YONHAP in English 0958 GMT 27 Aug 92

[Text] Seoul, Aug. 27 (YONHAP)—The Sunkyong Business Group has formally decided to give up the just-awarded right to the mobile phone sector of the second mobile communications project.

Son Kil-song, president of the Taehan Telecom Co., the Sunkyong-led consortium for the mobile phone scheme, told a press conference Thursday Taehan Telecom resolved to abandon the right in a gesture not to undermine national harmony.

Son regretted the development of "social controversies" over the selection of Sunkyong as mobile phone undertaker and said his consortium decided to give up the right in view of the controversies although, he said, Taehan Telecom was selected under "legal procedures and through the process of fair evaluation."

The government's selection of Sunkyong had come under hectic fire for the alleged involvement of favoritism.

He said he had talks with other shareholders of Taehan Telecom but failed to draw out agreement on the abandonment from some of them.

"We will take time in persuading them and try to find out a way to reach a satisfactory resolution in a way that does not harm the national interests due to the issue," Son said.

Mobile Phone Selection Left for Next President

SK2808074392 Seoul YONHAP in English 0214 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—The Communications Ministry announced Friday that it will leave selection of a company for the mobile telephone business and all related problems to the next president.

The announcement came one day after Taehan Telecom, a consortium headed by the Sunkyong Group, gave back the license awarded by the government Aug. 20 to undertake the lucrative mobile phone business.

A terse ministry statement said Taehan Telecom, the successful bidder for the mobile phone project, had informed the government Thursday of its intention to abandon the license for the sake of national harmony and unity.

As a result of a subsequent study, the government decided to leave all problems related to the second mobile telephone project to the next administration, it said.

DLP Elects Kim Yong-sam Party President

SK2808104892 Seoul YONHAP in English 0609 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—Kim Yong-sam has been an opposition leader most of his life, but he was elected president of the ruling Democratic Liberal Party [DLP] by the Central Standing Committee on Friday and became the first civilian leader of a South Korean ruling party in 31 years.

Amid rousing applause and rhythmic chanting of his name, Kim was named president by acclamation by the 5,000 members of the party's Central Standing Committee who represent the 2 million members of the party, formed in a merger of three parties two years and seven months ago.

Kim then named President No Tae-u honorary president of the party and Kim Chong-pil its executive chairman. The committee also approved their appointments by acclamation.

Before the merger, No led the ruling Democratic Justice Party and the two Kims each led opposition parties.

Flashing a "V" for victory sign, his spread fingers raised high and responding to an enthusiastic crowd from the podium, Kim, nominated as DLP presidential candidate in June, vowed to win the election in mid-December to keep with power within the party.

"Right now, our people and history are demanding change," Kim said in his acceptance speech. "And in order for our country's politics, economy and society to change, we need a strong government and strong leadership."

Kim began his speech by thanking No, the outgoing president of the DLP, for working hard for the development of the ruling party. Then, referring to himself as "a pure civilian," he said: "My election as party president signals the beginning of a truly civilian era."

He described confusion in values, conspicuous spending and luxurious lifestyles, regionalism and conflict among generations as "Korean maladies" and urged the people to go back to the basics and work hard at their jobs.

Kim blamed unfair employment practices for regional hatred and uneven distribution of wealth and opportunity. He said he would drastically reform personnel management for national unity and harmony.

Declaring that strong government and strong leadership stem from "a clean and honest leader," Kim vowed to make "morality" his guiding light.

"I have a small house in Sangdo-tong," he said, "and it will remain my only possession in the future."

With regard to North Korea, "our ultimate goal" is unification of the country, Kim said. But the nation should firmly and resolutely deal with North Korean plans to develop nuclear weapons while promoting personal exchanges, Kim said.

Kim also promised to work for a clean and honest presidential election, self-control of private industries and relaxation of governmental regulations, an end to collusion between business and politics, promotion of small businesses and increases in investment for science and technology.

Kim is expected to elaborate further on his policies at a news conference to be held after his formal assumption of office in early September.

In his speech, Kim Chong-pil said the DLP would have to march inexorably in order to win absolute support from the people and win an overwhelming victory in the presidential election. The ruling party could remain in power only if it worked under the new leadership, he said.

The Central Standing Committee meeting began at 3 P.M. at the Olympic Weightlifting Arena, decorated with red, blue and white balloons and a huge portrait of Kim Yong-sam. After electing Rep. Chong Chae-chol chairman, the committee passed an amendment to the party charter to admit city and provincial council members of the DLP to the Standing Committee.

After the committee meeting, the party moved to the Olympic Fencing Arena for a banquet attended by President No and other dignitaries.

With the naming of Kim Yong-sam as DLP president, the party plans to form an election campaign committee with Kim Chong-pil serving as honorary chairman and chairman Pak Tae-chun as chairman.

Kim Yong-sam on Local Elections, Phone Project

SK2808113392 Seoul YONHAP in English 1018 GMT 28 Aug 92

[Text] Seoul, Aug. 28 (YONHAP)—Kim Yong-sam, the new president of the ruling Democratic Liberal Party [DLP], reiterated Friday it is impossible to hold elections to choose the heads of local autonomous administrations within the year.

"It is unavoidable to put off until a later time the local elections because there is no time to prepare for it as the presidential election is only three months away and also because of persisting economic difficulties," Kim said.

In a press conference soon after he was named the DLP president at the party Central Standing Committee at an Olympic Park gymnasium, Kim said it is desirable, therefore, that the head of the next administration decide the time of the local elections.

Kim who is the DLP presidential candidate said it was good that the government thought it over and decided to turn the issue of a second mobile phone project over to the next administration.

"I have not disucssed with the administration on other major state projects like a new Seoul airport scheme and the proposed high-speed railway system, but I will discuss with President No Tae-u these projects fully," he said.

Asked if he planned to retain his assemblymanship continuously while being the ruling party presidential candidate, Kim said he would disclose his stand over the issue at an appropriate time.

'Crisis-Management Conference' Proposed

SK2608152892 Seoul YONHAP in English 0810 GMT 26 Aug 92

[Text] Seoul, Aug. 26 (YONHAP)—Kim Tae-chung, presidential candidate of the main opposition Democratic Party [DP], proposed Wednesday what he called an urgent crisis-management conference with President No Tae-u and two other presidential candidates.

Kim also urged No to concentrate on efforts to resolve the current economic and political crisis and form a cabinet comprising prominent leaders in political as well as other sectors in order to carry out fair and clean presidential and local elections.

In a quick response, the ruling Democratic Liberal Party [DLP] rejected Kim's proposals for the four-leader emergency conference and formation of the supra-party cabinet.

Pak Hui-tae, spokesman of the DLP, said it was the time to carry out "normal politics." As for the supra-cabinet, it was a heterogeneous element in the political system of the country, he said.

In a separate development, the Special Political Committee's subcommittee on amending the presidential election law agreed Wednesday to allow military servicemen to cast their votes outside their barracks.

The Special Political Committee was formed in the National Assembly to help normalize the unicameral house, idled for more than eight months over the issue of local elections.

Speaking at his first press conference since he was elected presidential candidate of the DP, Kim Tae-chung characterized the crisis as total and warned that the nation was heading for bankruptcy.

Kim said he was making the proposals because his party could no longer remain content to merely criticize and attack the ruling party and the government. The Democratic Party was prepared, he said, to help president No if he formed the supra-party cabinet for the remaining six months of his term.

With political parties beginning to launch campaigns for the presidential election, which is 100 days away, Kim's proposals were seen by many as a demonstration of his ability to handle national affairs.

The proposals were also taken as an astute political offensive against No and Kim Yong-sam, presidential candidate of the DLP and Kim Tae-chung's chief rival, placing the responsibility squarely on them for precipitating the current crisis through mismanagement in selecting the Sunkyong Group as a successful bidder for the lucrative mobile phone business.

Chong Chu-yong, presidential candidate of the Unification National Party [officially renamed United People's Party, UPP], meanwhile stopped over in Los Angeles en route to Mexico for a visit at the invitation of the Mexican president.

Speaking to some 700 well-wishing Korean-Americans at a reception, Chong said that if he were elected president he would turn the nation's chronic international balance of payments deficit into a surplus of 30 billion U.S. dollars. His government would raise per capita income to 20,000 dollars in five years.

Chong then asked his supporters to write letters to their families and friends back home telling them to support his party in the presidential election.

Elsewhere, former Rep. Kim Ok-son held a press conference Wednesday to announce her candidacy for president.

"I have decided to run for president in order to realize politics of trust, hope and love," she said.

Yi Ki-taek, co-leader of the Democratic Party, meanwhile, left for Taiwan Wednesday afternoon to help find ways to mend the rift between South Korea and Taiwan caused by the severance of diplomatic relations between the two countries after South Korea formed formal ties with China on Monday [24 August].

In another development, Kim Yong-sam on Wednesday named Rep. Chong Chae-chol chairman of the DLP Central Standing Committee, which will be convened Friday. The committee will elect Kim president of the party in place of president No, who resigned from the post Tuesday.

Brunei, Malaysia & Singapore

Malaysia

Official Views Implications of NAFTA

BK2808144092 Kuala Lumpur NEW STRAITS TIMES in English 27 Aug 92 p 18

[Text] American and Canadian companies looking towards Asia for expansion may now want to set up their factories in Mexico with the ratification of the North American Free Trade Agreement (NAFTA).

As the wage difference between Mexico and Asia is not much, the companies will be on a better footing to compete with Japan which has been tapping the cheap labour in Southeast Asia.

It is also anticipated that both the United States and Canadian Governments may offer tax and other benefits to encourage companies to invest in Mexico.

Malaysian Industrial Development Authority [MIDA] Director in Los Angeles Mohamed Iqbal Mohamed Ismail, in his briefing on joint-venture with companies in the United States and Canada, said:

"There are definite advantages. Manufacturers who move to Mexico are more likely to retain their proximate suppliers than those who move to Asia."

In fact, he warned that most American companies that had ventured to Asia as a cost-reducing strategy may return to relocate to Mexico.

Citing Zenith Electronics in Taiwan as an example, he said NAFTA will have significant implications on the Malaysian economy.

Zenith Electronics closed its assembly plants in Taiwan and shifted to Mexico.

"NAFTA will have far-reaching effects not only on member countries. Other capital exporting countries like multinationals and transnationals will rush to set up bases there to compete more effectively from within the alliance.

The three-country trade pact will create a $6.4 trillion [ringgit] megamarket of 363 million consumers.

On U.S. investments in Malaysia, he said that as at Dec 1990, there were 150 American companies ranking fourth after Japan, Singapore, and the United Kingdom in terms of paid-up capital. He said that although the number is small, a large number of American companies had invested through third countries bringing their total assets in the country to $14.98 billion [ringgit].

He said businessmen in Canada have generally been cautious of investing in Asia, including Malaysia.

"The geographical distance has been one of the reasons for Canadian investors to overexaggerate the investment risk here."

Futhermore, he added, as most of the Canadian companies are small- or medium-sized. [sentence as published]

Minister on Relations With West, NAM, Bosnia

BK2808090892 Kuala Lumpur BERNAMA in English 0822 GMT 28 Aug 92

[Text] Kuala Lumpur, Aug 28 (OANA-BERNAMA)—Malaysia has been vocal in speaking out against the West on a number of issues but it is not irrational, Foreign Minister Abdullah Ahmad Badawi said Friday.

"We have been vocal in our stand against certain actions of the West but we are not irrational," he told reporters before leaving for Jakarta to attend the Non-Aligned Movement (NAM) summit beginning in the Indonesian capital on Tuesday.

"We will be rational but we will not be prejudiced," he said when asked to comment on Indonesian Foreign Minister Ali Alatas' statement yesterday that developing countries in NAM should adopt a non-confrontational approach in dealing with the developed North if they wanted to succeed in reviving the North-South dialogue.

Alatas said it was about time the South be less demanding and adopt a non-confrontational and rational appoach when dealing with the North.

A host of issues are expected to be discussed at the summit, including a plan by allied forces led by the United States to impose a no-fly zone in southern Iraq to protect Shi'ite Muslims from air attacks by Iraqi forces, and atrocities by Serbs in the former Yugoslav republic of Bosnia-Hercegovina.

Abdullah also said that Malaysia felt that the question of the former Yugoslavia's membership in NAM did not arise because the "country does not exist anymore".

"It (Yugoslavia) has no status in NAM because it does not exist at all," he said.

"The original Yugoslavia, founded by President Tito, was not involved in atrocities in Bosnia-Hercegovina," he added.

Abdullah said Malaysia would abide by any decision taken at the summit on Belgrade's position in NAM which, according to him, was expected to generate "heated" debate.

"But we would also like to stress our stand on Yugoslavia as well to all members of NAM," he added.

Asked about the decision taken at the just-concluded UN-EC conference on the former Yugoslavia in London, Abdullah said "if the conclusion was only to ensure that food supplies are sent safely to the victims in Bosnia, then they have failed as they have not found the (real) solution that will bring peace to the country."

"What is needed is military intervention...We are still of the opinion that the UN, especially the Security Council, must take the complete action according to Article 42 (Section 7) of the UN (which authorises the use of force)," he added.

Abdullah said he believed that the majority of the movement's members, including OIC [Organization of Islamic Conference] members, would favour the use of force against Serbia to stop the atrocities against Muslim Bosnians.

On the plan by allied forces led by the United States to impose a no-fly zone in southern Iraq, Abdullah said "the decision is not sanctioned by the UN."

Government Urged To Abolish Racial Distinction

BK2708130792 Kuala Lumpur BERITA HARIAN in Malay 20 Aug 92 p 16

[By Wan Hamidi Hamid]

[Excerpt] Kuala Lumpur, Wednesday—The second Malaysian-Chinese economic congress has urged the government to abolish the distinction between the indigenous and nonindigenous races as early as possible to enable all Malaysians to compete and be united in all aspects of economic life.

In its main resolution, the congress also requested the government to make "merit and need" the main guiding principle in formulating the country's economic development policies to achieve unity by 2020. The resolution was one of 10 unanimously adopted after passing the reports of three workshops held during the two-day congress which ended here today.

The congress was organized by the All-Chinese Chamber of Commerce and Industry of Malaysia and was attended by about 1,000 delegates, including those representing Malay and Indian chambers of commerce and industry, academics, and government officials. [passage omitted]

Singapore

Minister Meets Visiting Malaysian Army Chief

BK2508142492 Singapore Singapore Broadcasting Corporation in English 1100 GMT 25 Aug 92

[Text] The visiting chief of army of the Malaysian Armed Forces, General Datuk Sri Abdul Rahman bin Haji Abdul Hamid, called on the defense minister, Dr. Yeo Ning Hong, this morning. Gen. Abdul Rahman, who arrived in Singapore on Sunday, is on a four-day official visit at the invitation of the chief of army, Brigadier General Lim Neo Chian. This is his first official visit as the Malaysian Army chief since assuming the post in April. Gen. Abdul Rahman also called on the Singapore Armed Forces chief of defense force, Major General Ng Jui Ping, and Brig. Gen. Lim Neo Chian at Ministry of Defense. Gen. Abdul Rahman leaves tomorrow.

Philippine Foreign Minister Arrives for Visit

BK2608142292 Singapore Singapore Broadcasting Corporation in English 1100 GMT 26 Aug 92

[Text] The Philippines says reported talks among some claimants to the Spratly Islands are in line with ASEAN's position on resolving the dispute. But its Foreign Secretary Mr. Roberto Romulo says so far Manila has not been directly approached with offers of cooperation.

He was speaking to reporters after arriving in Singapore for a three-day visit. Mr. Romulo says the Philippines has applied to be a member of the Nonaligned Movement, whose summit Jakarta is hosting next month. He discussed this with the Indonesian leaders while in Jakarta. Mr. Romulo said the movement is a meaningful forum of cooperation among developing nations.

While in Singapore, the Philippine foreign secretary will call on the foreign minister, Mr. Wong Kan Seng. Mr. Romulo will also meet the prime minister, Mr. Goh Chok Tong, and the senior minister, Mr. Lee Kuan Yew.

Conversion of Philippines' Subic Bay Discussed

BK2708143792 Singapore Singapore Broadcasting Corporation in English 1400 GMT 27 Aug 92

[Text] The chairman of the Subic Naval Base Conversion Authority is in Singapore for new talks with the Keppel Group [words indistinct]. Mr. Dick Gordon, who is also the mayor of the Subic area, will meet the minister of trade and industry, Brigadier General Lee Hsien Loong. This was disclosed by the Philippine foreign secretary, Mr. Roberto Romulo, at the end of his three-day visit here. He said Keppel's interest in investing in the redevelopment is encouraging. Mr. Romulo said the conversion of the Subic Naval Base into a commercial port was among the topics discussed with Singapore leaders. The talks convinced him that ASEAN and the Philippines should actively participate in Asia-Pacific Economic Cooperation or APEC. He also believed his country's move to seek full membership of the Nonaligned Movement is timely as it is to be an economy-oriented organization.

Diplomatic Relations With Kyrgyzstan Established

BK2708120692 Singapore Singapore Broadcasting Corporation in English 1100 GMT 27 Aug 92

[Text] Singapore and the Republic of Kyrgyzstan have established diplomatic relations. The Foreign Ministry says the aim is to strengthen and develop friendly relations.

Cambodia

UNTAC Chief Heads 22d Military Group Meeting

BK2608150492 Phnom Penh SPK in English 1103 GMT 26 Aug 92

[Text] Phnom Pen SPK August 26—The meeting of the Mixed Military Group, the 22nd of its kind, was held here on August 22nd in the presence of John Sanderson, military commander of the U.N. Transitional Authority in Cambodia (UNTAC).

Addressing the session, John Sanderson expressed his regret at Khmer Rouge's absence at the meetings held four weeks ago. However, he expressed his belief that Khmer Rouge would participate in the coming meeting as international community which has [words indistinct] its best to bring peace to and reconstruct Cambodia would use all its means to make the faction comply with the Paris peace agreement.

John Sanderson meanwhile praised the State of Cambodia's stance for having fully implemented phase two of the cease-fire, especially by having its troops regrouped and demobilised.

On recent robbery, looting spree and killings, he requested all factions to cooperate with UNTAC to prevent similar incidents from happening again so as to ensure peace and security for the people.

The meeting also discussed a number of issues including the setting up of a public security commission headed by UNTAC Deputy Chief Behroos Sadry.

KR Accepts Proposal on Administrative Body

BK2808024192 Bangkok BANGKOK POST in English 28 Aug 92 p 5

[Text] Thailand and Japan have moved "one step forward" in their attempt to get the Khmer Rouge [KR] to comply with the United Nations-brokered peace process in Cambodia, Deputy Permanent Secretary for Foreign Affairs Sarot Chawanawirat said yesterday.

"We have come one step further because they accepted the ACB," said Mr Sarot, meaning the Thai-Japanese proposal for the establishment of an Administrative Consultative Body.

"In this kind of situation, one step is a big step forward."

Thailand and Japan met yesterday for four hours with Khmer Rouge nominal leader Khieu Samphan. The Japanese delegation was led by Tadashi Ikeda, Director-General of the Foreign Ministry's Asian Affairs Bureau.

The talks covered the Thai-Japanese initiative as well as a Khmer Rouge proposal, both of which aim at strengthening the Supreme National Council (SNC) of Cambodia during the lead up to elections next year.

The Khmer Rouge is demanding an increase in the SNC position as a main condition for their joining the disarmament phase of the Paris peace agreement which took effect on June 13.

The head of the United Nations Transitional Authority in Cambodia (UNTAC), Yasuhi Akashi, has made it clear that coercive measures could be applied to break the guerrillas' "intransigence". Western countries have spoken of economic sanctions.

Mr Sarot said yesterday's talks took place in a "constructive" atmosphere and more discussions would follow.

The Thai-Japanese and Khmer Rouge proposals were exchanged at talks on Saturday.

As talks were under way yesterday, the Khmer Rouge released what they called a "new proposal" which incorporates the Thai-Japanese idea with their own suggestion for the establishment of Consultative Committees.

Mr Sarot said the Khmer Rouge want Consultative Committees set up in five main areas of civil administration - foreign affairs, national defence, finance, public security and information - as well as the police force.

Arguing that "transparency" was the aim, they made clear their wish for four Consultative Committees to operate in each area, he said.

Together with the ACB, this would make a total of 25 units working toward the strengthening of the SNC, he said.

The Khmer Rouge proposal would be "difficult" to put into practice, said Mr Sarot. The main concern is not so much the number of Consultative Committees they want - which he maintained was "negotiable" - but the establishment of the powers they would be allowed to wield.

He said more discussions were needed with the Khmer Rouge as well as other concerned parties.

Mr Sarot, when asked if there was a deadline for sanctions to be applied on the guerrillas, said each concerned country had a timeframe and desired early agreement on a way out of the current impasse.

Mr Sarot was accompanied by East Asia Department Deputy Diretor-General Thakor Phanit. On the Japanese side, Mr Ikeda was backed up by Japan's Ambassador to the SNC, Yukio Imagawa. Mr Khieu Samphan was accompanied by Chan Youran, the former ambassador of Democratic Kampuchea to Peking, and Mak Ben, an official with the SNC's secretariat.

In their prepared statement, the Khmer Rouge described the establishment of the ACB and Consultative Committees as "appropriate measures" to establish the SNC as the sole legitimate body and source of authority in Cambodia.

They made clear the Consultative Committees, to be made up of representatives of the four Cambodian parties and UNTAC, would "assist the ACB in achieving its objectives".

The ACB will address administrative issues with a view to "ensuring the neutrality of administrative actions and a neutral political environment leading to the holding of free and fair general elections in Cambodia", they said.

It would be composed of representatives of the four Cambodian parties, UNTAC and what they called "the P-5 plus" - identified as Australia, China, France, Indonesia, Japan, Russia, Thailand, Britain and the United States.

Proposes 'Detailed Modifications'

OW2708151592 Tokyo KYODO in English 1504 GMT 27 Aug 92

[Text] Bangkok, Aug. 27 KYODO—Efforts by Japan and Thailand to bring the Khmer Rouge faction back onto the track of the Cambodian peace process hit another snag Thursday when the faction put forward new proposals.

The Khmer Rouge wants to establish numerous "consultative committees" to strengthen the role and function of the Supreme National Council (SNC) and thus curb the power of the Phnom Penh government before the general election next year.

Khmer Rouge leader Khieu Samphan met for the second time with Tadashi Ikeda, head of the Asian Affairs Bureau of Japan's Foreign Ministry, and the Thai Foreign Ministry's Deputy Permanent Secretary Sarot Chawanawirat for three and a half hours on Thursday afternoon.

Japan and Thailand are trying to persuade the Khmer Rouge to disarm and partially demobilize its troops, as demanded by the Paris peace agreement.

At the meeting at the Foreign Ministry, Khieu responded positively to a Japanese initiative put forward during their first meeting last Saturday to establish the Administrative Consultative Body (ACB) to strengthen the role and function of the SNC, according to Sarot.

The faction said it would be ready to enter phase II of the peace accord if "appropriate measures" were taken to ensure the administrative powers of the SNC.

It also proposed detailed modifications on the objective, composition and function of the ACB.

It suggested that the ACB comprise representatives of the four Cambodian factions, the United Nations Transitional Authority in Cambodia (UNTAC), and the five permanent members of the U.N. Security Council plus Australia, Indonesia, Japan and Thailand.

The Khmer Rouge also proposed setting up smaller consultative committees in all the five administrative areas under the control of UNTAC.

In all, Khieu said it would be necessary to set up about six to seven such committees and they should be presented at all the four zones controlled by each Cambodian party, Sarot said.

"We agreed to have further discussions," he said. "It is a new package and we need time to study their ideas."

The next meeting among the three parties may take place sometime in mid-September since Khieu is attending the non-aligned summit in Jakarta next week, another official source said.

Hor Namhong Rejects Khmer Rouge Proposal

BK2808063392 Hong Kong AFP in English 0630 GMT 28 Aug 92

[By Sheri Prasso]

[Text] PHNOM PENH, Aug 28 (AFP)—The Phnom Penh government Friday firmly rejected a proposal to end the deadlock in the Cambodian peace process being discussed by Japanese and Thai negotiators with the Khmer Rouge.

"Never, never, we cannot accept such conditions," Phnom Penh Foreign Minister Hor Namhong said in an interview.

The radical Khmer Rouge have refused to lay down their weapons and go along with United Nations peacekeepers trying to implement peace accords ending the civil war.

They insist first on having a stronger role in decision-making through the Supreme National Council (SNC), the reconciliation body that groups the four previously warring factions under U.N. supervision.

The Khmer Rouge put forward a proposal this week seeking committees including their faction to be put in the heart of the Phnom Penh administration, including defense, finance, national security, information and foreign affairs.

The United Nations said it was studying the proposals, and a Thai-Japanese negotiating team meeting Khmer Rouge nominal leader Khieu Samphan in Bangkok was discussing it.

Hor Namhong said such proposals deviated from the peace accords signed by all factions in October last year.

"Such a compromise or concession to Khmer Rouge demands is not in conformity with the peace accords," he said.

He said the United Nations was already exerting direct control over the five key areas of government and questioned the need to set up committees.

U.N. peacekeepers are "doing their job in this manner," he said.

Hor Namhong said the Khmer Rouge were not acting in good faith and had no intention of complying with U.N. peacekeepers even if their new demands are met.

"They will raise more preconditions, I am sure," he said. "How far should we move to meet the Khmer Rouge's illegal and unacceptable demands?"

The foreign minister again called for sanctions against the faction if it continues its intransigence and said the U.N.-scheduled election for May 1993 could go on without Khmer Rouge participation.

"They are not so strong as people used to estimate," he said.

Specifically, the Khmer Rouge's complex new proposal calls for an administrative consultative body (ACB) including representatives from all factions to assist in the administration of the country.

The ACB decisions would be helped by consultative committees, and all decisions would be recommended to the SNC for action.

At the heart of the proposal is the Khmer Rouge's concern that the Phnom Penh government has too much power in the run-up to the elections.

Khmer Rouge Abducts, Releases 5 UN Peacekeepers

BK2808073092 Hong Kong AFP in English 0710 GMT 28 Aug 92

[Text] Phnom Penh, Aug 28 (AFP)—Khmer Rouge guerrillas in eastern Cambodia captured and detained five U.N. peacekeepers before letting them go with a warning not to return, a U.N. spokesman said Friday.

The five—three civilian police and two elections officers plus two Cambodian interpreters—were stopped Sunday in the eastern province of Kompong Cham and taken to a private house, spokesman Eric Falt said.

"They were asked to take off their shoes and sit on the floor," he said. "They (the Khmer Rouge) asked a few questions and retired to another room to consider what to do."

After two hours the peacekeepers were given their shoes back and told to leave and not return until the United Nations had "satisfied the conditions put forward" by the faction, Falt said.

Falt would not say whether the peacekeepers were in an area controlled by the Khmer Rouge or whether it was an area disputed by the previously warring factions.

The radical faction has refused to lay down its arms until it is given more power in the governance of the country, which is under supervision of U.N. peacekeepers until elections scheduled for May 1993.

The police and elections officers, travelling in separate vehicles, had been on a regular reconaissance mission, the spokesman said.

He would not say whether such patrols would continue in defiance of the Khmer Rouge warning.

U.N. officials said they intended to take up the matter with the Khmer Rouge leadership.

KR Attacks Kompong Thom, Preah Vihear 16-19 Aug

BK2808075792 Phnom Penh SPK in French 0400 GMT 28 Aug 92

[Text] Phnom Penh 28 Aug (SPK)—Lately, the Khmer Rouge have intensified their plunder in the provinces of Preah Vihear and Kompong Thom, north of Phnom Penh. They also forced the local people to carry their ammunition in preparation for attacks against the State of Cambodia, according to the Commission for the Coordination of Military Affairs with the United Nations.

As a matter of fact, 20 Khmer Rouge elements from Division 616 on 18 August plundered Bateal Village, Tiembang Commune, Stoung District, Kompong Thom Province while another group of 15 Khmer Rouge soldiers from the same division robbed Chheu Teal Village, Ni Pich Commune, Kompong Svay District, and took away three cassette-recorders, a radio, and two sets of jewelry.

On 16 August, Polpotist troops from Division 616 shipped 150 shells for a H-107 gun to Veal Srong areas in the west of the provincial township and Prey Thom and Prey Chak Kien in preparation to shell the provincial town of Kompong Thom.

At 1800 on 18 August, Khmer Rouge troops from Division 612 raided Kulen District in Preah Vihear Province, and kidnapped four villagers. And on the morning of 19 August, the Armed Forces of the State of Cambodia, which are entitled to the right of self-defense to ensure the security for inhabitants in the district, came under Khmer Rouge attack. After the clash, the assailants beat a hasty retreat, leaving behind two corpses, four firearms, and some war materiel.

'970' More Soldiers Demobilized in Svay Rieng

BK2808121792 Phnom Penh SPK in French 1110 GMT 28 aug 92

[Text] Phnom Penh 28 Aug (SPK)—A demobilization ceremony was held on 24 August at the cantonment camp of Romeas Hek District, Svay Rieng Province, some 100 km southeast of Phnom Penh, in the presence of Kim Nang, vice chairman of the provincial people's committee; General Boudeau, representative of the UNTAC (UN Transitional Authority in Cambodia) forces to Phnom Penh; a representative of the UNTAC forces to Svay Rieng; and other officials.

Of the 970 demobilized soldiers, including 48 females, 49 were officers and the rest were members of the rank and file. They handed over to UNTAC 682 assorted weapons and a quantity of ammunition.

Chea Sim Returns From Visit to Singapore

BK2708132792 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1100 GMT 27 Aug 92

[Text] The high-ranking delegation of the Cambodian People's Party [CPP] led by His Excellency [H.E.] Chea Sim, chairman of the CPP Central Committee and chairman of both the National Assembly and the Kampuchean United Front for National Construction and Defense [KUFNCD] National Council, returned home safely on the afternoon of 27 August after a successful six-day official visit to Singapore.

Welcoming the high-ranking delegation at Pochentong International Airport were the excellencies members of the Standing Committee of the CPP Central Committee, including H.E. Chea Soth, vice chairman of the Council of Ministers; H.E. Sar Kheng, minister of interior; H.E. Say Chhum, standing vice chairman of the Council of Ministers; Prince Norodom Chakkrapong, vice chairman of the Council of Ministers; H.E. General Tie Banh, vice chairman of the Council of Ministers and minister of national defense; H.E. Mat Ly, vice chairman of the National Assembly and of the CPP Central Committee's Control Commission; H.E. Nguon Nhel, minister of agriculture; H.E. Ney Pena, vice chairman of the CPP Central Committee's Control Commission; H.E. Sim Ka, chairman of the Phnom Penh City party and people's committees; H.E. General Pol Saroeun, deputy minister of national defense and chief of the General Staff of the Cambodian People's Armed Forces; and many other members of the CPP Central Committee, ministers, deputy ministers, directors, and deputy directors of various ministries, departments, and units in Phnom Penh.

On 25 and 26 August, during its visit to the Republic of Singapore, the high-ranking CPP delegation led by H.E. Chea Sim, chairman of the CPP Central Committee and chairman of both the National Assembly and the KUFNCD, held talks successively with H.E. Wong Kan Seng, foreign minister; and H.E. Goh Chok Tong, prime minister of the Republic of Singapore.

During the talks, H.E. Chea Sim expressed, on behalf of the CPP and the Government of the State of Cambodia [SOC], profound thanks to the Government of Singapore for giving a warm reception to the delegation. At the same time, H.E. Chea Sim informed the high-ranking leaders of Singapore of the latest developments in Cambodia in the course of the implementation of the Paris peace agreement.

H.E. Chea Sim noted that during the past 10 months since the Paris agreement was signed, the SOC side had made every effort to fully and sincerely implement this agreement aimed at bringing peace and national reconciliation to the Cambodian people. The SOC has closely cooperated with UNTAC [UN Transitional Authority in Cambodia] in implementing the second phase of the cease-fire and has created all favorable conditions for UNTAC to fulfill its tasks. At the same time, the SOC side has opened way for UNTAC to conduct comprehensive supervision in line with the agreement.

H.E. Chea Sim stressed that on the other hand, the Khmer Rouge had created all kinds of obstacles hindering the peace process in Cambodia. After the second phase of the cease-fire went into effect on 13 June 1992, the Khmer Rouge kept refusing to allow UNTAC to enter their zone of control and to regroup and demobilize their troops. Not only have the Khmer Rouge refused to cooperate with the UNTAC, but they have fired on UNTAC helicopters on many occasions.

H.E. Chea Sim added that despite the Khmer Rouge's obstinate stand, we believe that the efforts of His Royal Highness Prince Norodom Sihanouk, head of state and chairman of the Supreme National Council of Cambodia; Yasushi Akashi, special representative of the UN secretary general; the co-chairmen of the International Conference on Cambodia; the ASEAN members; and the entire international community would be able to persuade the Khmer Rouge to implement the agreement. In this connection, H.E. Chea Sim highly valued the efforts of the Government of Singapore which has been making an active contribution to promoting the implementation of the Paris peace agreement.

H.E. Chea Sim also informed of and explained to the high-ranking leaders of Singapore the SOC proposal to elect the president prior to the constituent assembly.

Concerning bilateral relations, H.E. Chea Sim noted that the obstacle to Cambodia-Singapore relations had been lifted after the signing of the Paris agreement. H.E. Chea Sim expressed his satisfaction with bilateral trade exchange in the past and his belief that in the future no obstacle could bar the expansion of these relations.

The high-ranking leaders of Singapore thanked H.E. Chea Sim for giving clear information on the Cambodian situation during the course of implementing the Paris peace agreement. They stressed that the Government and people of Singapore have always supported the Paris agreement and would continue to strive to promote the successful implementation of this agreement, thus bringing about a free and fair election in Cambodia.

H.E. Prime Minister Goh Chok Tong stressed that Singapore did not support the Khmer Rouge's stand in hindering the peace process in Cambodia. He said that it was imperative to move on despite all obstacles because a good opportunity has come for the Cambodian people to rebuild their country.

On bilateral relations, H.E. Goh Chok Tong voiced agreement with H.E. Chea Sim's view regarding the prospects for expanding relations between the two countries.

Singapore Foreign Minister Wong Kan Seng also hosted a luncheon in honor of the high-ranking CPP delegation led by H.E. Chea Sim, chairman of the CPP Central

Committee and chairman of both the National Assembly and the KUFNCD National Council.

During its stay in the Republic of Singapore, the high-ranking CPP delegation also visited a number of industrial, economic, and tourist centers of the Singapore people.

Indonesia

Editorial on 'Latent Danger' of Communist Threat

BK2708141292 Jakarta THE JAKARTA POST in English 21 Aug 92 p 4

[Editorial: "In From The Past"]

[Text] The allegations that 13 Indonesian nationals served as spies for the Statni Bezpecnost (StB), the Czech secret service, during their student days in the 1960s in that former communist country may have taken many of us by surprise.

As reported by this newspaper on Tuesday, in July the Czech tabloid RUDE PRAVO published the names of thousands of people allegedly recruited as secret agents for the StB. Among those named were 13 Indonesian nationals. Some of them are still living abroad. Six of them have returned to Indonesia. Two of them are currently senior officials. The tabloid's report left open the possibility that more Indonesian nationals were involved in similar covert activities.

The collapse of communism in Eastern Europe obviously does not necessarily mean that the ideological contest is finished. A fair number of communist diehards are still fighting for their ideology's continued existence in those countries. Internal battles between the conflicting parties could turn dirty and justify the use of any means.

Apparently, the revelation of the names of those who have collaborated with the old regime, particularly the hated secret services, is part of this continuing fight. There is always the possibility that certain names have been deliberately added to the list to besmirch them—a common practice in politics that is known as character assassination. Several months ago, even Poland's President Lech Walesa was named as a former Polish secret service agent, and the name of former Czechoslovakian president, Vaclav Havel, was included in the RUDE PRAVO list as well.

Thus, to have one's name included on the list of StB secret agents is not necessarily proof of a one's really having been an StB spy. There is much more involved in this than meets the eye. As some observers assert, some of the names might have been used by counterspies to extort money from the Czech Government.

That is why we share the view expressed by Armed Forces Commander General Try Sutrisno, who has promised to look into this matter thoroughly because of the sensitivity of the allegations and because of the impact the matter could have on the lives of the people named and their families. "We do not want to give these people any cause for concern, but we must also remain vigilant," Gen. Try said.

We also support the prompt action taken by Minister of Foreign Affairs Ali Alatas, who ordered the Indonesian embassy in Prague to verify the facts. The sooner we know the truth the better. A formal request to the Czech Government to verify the facts might clear up the matter. As was reported by the weekly news magazine, TEMPO, the Czech deputy minister for internal affairs, Zdenko Matula, acknowledging that the RUDE PRAVO list was correct, has agreed to disclose the complete contents of the StB's files provided it is at the official request of a foreign government made through bilateral talks.

Here in Indonesia, 25 years after we succeeded in crushing the communist movement, we still find it hard to get over the trauma inflicted by communism. The fact that in recent years there has been no evidence of a revival of the outlawed Indonesian Communist Party, the PKI, apparently does not constitute reason enough for the authorities to ease their vigilance toward the communist threat, which is still considered a latent danger.

Under the circumstances it is easy to understand that some people continue to get the impression that the authorities are somehow exaggerating the "Red threat" by maintaining the present "security approach." On the other hand it is often argued that our national resilience is actually strong enough to repel any threat, coming either from the extreme left or right.

However that may be, surely nobody in this country wants the past to continue to haunt us particularly when we have no skeletons to hide.

Philippines

Malacanang Said 'Plotting' for Senate Leadership

HK2708090192 Manila PHILIPPINE DAILY INQUIRER in English 27 Aug 92 p 10

[By Tony S. Bergonia; italicized passage published in Tagalog]

[Text] Malacanang has launched a fresh offensive to wrest control of the Senate leadership and muzzle senators' vocal opposition to major administration programs and policies, sources told the INQUIRER yesterday.

President Ramos has apparently recruited the services of Speaker Jose de Venecia and chief legal adviser Antonio Carpio to woo enough senators to pull off a coup against Senate President Neptali Gonzales and the leadership of the Laban ng Demokratikong Pilipino. [LDP—Struggle of Filipino Democrats]

Senators approached by De Venecia and Carpio confirmed Malacanang has not stopped plotting to seize the Senate leadership.

The plot thickened and efforts to gain control of the Senate intensified after senators took turns attacking some of the Ramos administration's early decisions, such as the controversial police appointments of Interior and Local Government Secretary Rafael Alunan III and Mr. Ramos' Administrative order No. 2 which expands the powers of the National Security Council.

At least eight senators were initially approached by De Venecia and Carpio, but the sources refused to identify them.

Two of them, however—Freddie Webb and Ramon Revilla—admitted they were among those being wooed by Malacanang.

Webb said Carpio met with him to discuss the prospects of Malacanang gaining control of the Senate leadership, while Revilla confirmed that he met with De Venecia.

But Revilla said he would stick with the LDP-bloc in the Senate. "*I am not that shallow,*" he said.

He added, however, that he would consider shifting loyalties if "the stability and security of the nation is at stake."

"Maybe that would be the time I would make a turnaround. Definitely not for more committee (chairmanships) or a seat in the Commission on Appointments," Revilla said.

Webb said he met with Carpio because Carpio was his lawyer, but he said he would remain with the LDP bloc "at this time when the majority in the chamber has been doing very well."

Webb added that should the Senate become "destructive, that will be the time to seriously consider the reorganization."

Sen. Raul Roco, according to the sources, was also being wooed to join the Malacanang-inspired coup, but Roco refused to comment on the matter.

Congress Finalizes Commission on Appointments

HK2708122092 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 27 Aug 92

[Text] The lower house has completed its list of representatives to the Commission on Appointments [CoA]. Here is Ana Soriano with the details:

[Begin Soriano recording] Congressman Raul Del Mar, an independent candidate, will be acting chairman. Four out of the 12 House [word indistinct] deputy will be from the Strength-National Union of Christian Democrats [NUCD], one independent candidate, one Liberal Party [LP] member, three from the Nationalist People's Coalition [NPC], and three from the Struggle of Filipino Democrats [LDP]. The congressmen, in addition to Congressman Del Mar, are Carmelo Locsin, Oscar Garin, Eric Singson, Alejandro Almendras, Juan Ponce Enrile, Carlos Imperial, Rufino Javier, Jose Aspiras, Antonio Cuenco, Maria Clara Lobrigat, and Miguel Romero.

The LDP reportedly agreed to have only three, instead of five, representatives to the CoA after the NPC agreed to have only three representatives to the commission. [end recording]

Meanwhile, the Senate has ratified the names of its 12 representatives to the Bicameral Commission on Appointments. Here is Jojo Ysmael with the details:

[Begin Ysmael recording] The twelve-man Senate contingent to the CoA is made up of eight LDP senators, two NPC senators, and one for the LP and the Strength-NUCD.

Those from the LDP are Senators Edgardo Angara, Ernesto Herrera, Heherson Alvarez, Butz Aquino, Orlando Mercado, Tito Sotto, Blas Ople, and Alberto Romulo. Those from the NPC are Senators John Osmena and Arturo Tolentino. Senators Santanina Rasul and Bobby Tanada represent the the Strength-NUCD and the LP respectively.

Senate President Neptali Gonzales will serve as the chairman of the commission. [end recording]

Senators Welcome Role as Custodians for Rebels

HK2708101692 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 27 Aug 92

[Text] Senator Agapito Butch Aquino has expressed his acceptance of President Ramos' trust in him by making him custodian for communist rebels who are due for release. However, he said he does not yet know his responsibilities as custodian. Senator Aquino stressed that if he is helping the government in its peace efforts by becoming a custodian he will readily accept it.

Senator Wigberto Tanada said that he is also very willing to become a custodian for communist rebels. Tanada said he is certain that the government will be open and will give the rebels due process.

Military Officials Oppose Detainees' Release

HK2708131592 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 1100 GMT 27 Aug 92

[Text] Several high-ranking officials in the Armed Forces of the Philippines [AFP] oppose President Ramos' decision to temporarily release the detained leaders of the communist movement.

The AFP officials, headed by a general assigned at Camp Aguinaldo, said that this move by the government may be dangerous, because the Communist Party of the Philippines-National Democratic Front-New People's Army may use this opportunity to organize and intensify their armed struggle. The officials, who preferred to be called anticommunists, also said the proposed cease-fire may be to the country's disadvantage, because the rebels may only be taking part to find time to strengthen their ranks.

In light of these beliefs, these anticommunist AFP officials are planning to gather signatures within the military to block the president's peace plans.

Rebel Leadership Urged To Trust Amnesty Program

HK2708094592 Manila THE CHRONICLE in English 27 Aug 92 p 4

[Editorial: "The Insurgent Leadership Must Reciprocate"]

[Text] The peace initiative has been identified by the Ramos administration as one of its priorities to establish political stability. For the past weeks, however, it appears the initiative to bring a peaceful resolution to the domestic armed conflict has been forced to take a backseat by the petty politicking of factions in power.

The main thrust of the peace initiative is necessarily the left-wing insurgency, the most stubborn Communist rebellion in Asia.

It is no surprise that the peace initiative toward the Leftist insurgency has had difficulty getting off the ground. Spokesmen of the CPP-NPA [Communist Party of the Philippines-New People's Army] have taken hardline positions. The agenda and mechanisms for a dialogue appear unclear. Suspicions are high on both sides. It is never easy to dissipate a culture of internal war that has already taken root in the minds of its combatants.

Last Tuesday, President Ramos brought the initiative back to the center of public attention, and gave it a good chance to move forward. He ordered the release from detention of two senior communist leaders, Saturnino Ocampo of the NDF [National Democratic Front] and Romulo Kintanar of the NPA. The gesture was apparently timed to support the efforts of the government emissaries who are now on their way to Holland for discussions with communist leaders in exile.

The release of the two leaders, along with three of their comrades, is a gesture of goodwill intended to underscore the sincerity to restart the long stalled peace process. It is part of an enlarging package of confidence-building measures, whose highlights are the proposed repeal of the Anti-Subversion Act and the dropping of subversion charges against several leftist militants. It also includes an amnesty program which, with the cooperation of Congress, could be made exceedingly attractive.

The peace initiative is moving on several fronts. Aside from the Dutch mission that will explore possibilities for formal talks between the government and the communist leadership abroad, several negotiations are under way on the domestic front with guerrilla commanders and local leaders.

A significant component of this initiative is the formation of the National Unification Commission [NUC], which will formulate the terms of the amnesty program and oversee its implementation. It has been reported that Comelec [Commission on Elections] Commissioner Haydee Yorac is being considered to head the NUC.

The involvement of Yorac in the peace initiative will definitely enhance its credibility. Known for her independence of mind, Ms. Yorac, who used to be an activist, will be unyielding to pressure from conservative military officers and politicians inclined to make the peace process a theatrical exercise. She has the stature and the openness of mind capable of inspiring confidence to engage in serious talks.

The Ramos government has sweetened the pie, so to speak. It is making a convincing demonstration of its commitment to reform the graft-ridden and incompetent bureaucracy, and discipline abusive men in uniform.

The achievement of a just and lasting peace process requires much more than crippling the armed capability of revolutionary movements to wage guerrilla war. It is a complex and comprehensive process that requires addressing the social ills that drive men to rebel.

But the process must begin from small but sure steps. And it cannot proceed with only one side granting concessions. The insurgent leadership must reciprocate in some positive manner to encourage the process.

A sign of hope that the insurgent leadership, so used to broad and blunt rejection of the government's peace initiatives before, is a recent interview by NDF spokesman Luis Jalandoni in Utrecht, published in this issue. [sentence as published] Jalandoni in the interview urged his comrades to learn from the "degeneration" of the communist system. The statement reveals a less dogmatic and realistic assessment of the strength of the communist movement. This is a welcome signal.

It will be best for all that the rebel leadership receive the government initiative with a more open mind. Our people have borne great costs in an internal strife that has raged for more than two decades now. It is a war that can never be justly settled by annihilation.

Leftist Leaders Reject Ramos' Amnesty Offer

HK2808054792 Quezon City MALAYA in English 28 Aug 92 pp 1, 6

[By Ellen Cruz and Noel Bartolome; italicized passages published in Tagalog]

[Text] Leftist leaders Satur Ocampo and Romulo Kintanar have rejected President Ramos' offer to release them from detention and have decided to secure their release through the courts, their lawyer said yesterday.

"*They will already be released by court. Why should the government still have to glorify the process?*" lawyer Arno Sanidad said.

Sanidad said the government has not even informed Ocampo and Kintanar of the conditions for their temporary release, particularly the decision of the Department of Justice to place them under the custody of Senators Wigberto Tanada (LP [Liberal Party]) and Agapito Aquino (LDP [Struggle of Filipino Democrats]).

"That is another matter that should be cleared. Ocampo and Kintanar were not yet consulted on that matter. They also do not know what are the additional conditions," he said.

Task Force Detainees [TFD] said Kintanar and Ocampo have refused to sign an application for amnesty given by Justice Secretary Franklin Drilon.

"*If they sign in the amnesty program, it would be just like admitting their faults.* This may be used against them later in their court trial," a TFD official said.

Sanidad said the military has asked for a postponement of court hearings for Kintanar this week, purportedly to give him time to respond to the President's release order and apply for amnesty. The court has agreed to reset the trial for Sept. 15.

Kintanar has been charged with illegal possession of firearms in furtherance of rebellion and falsification of documents.

Sanidad said Kintanar has already posted bail but the Court of Appeals withheld his release two months ago when the military objected.

"If the government is really sincere to release them, *if the military will not only object*" Sanidad said.

"Sanidad said Ocampo's trial on illegal possession of firearms charges is set on Monday. He said he is optimistic the charges will be dismissed since the judge has refused to accept the evidence against the alleged spokesman of the National Democratic Front. Bail of P50,000 [Philippine pesos] has been recommended for Ocampo's temporary release.

"Legal battles show that they did not commit the crimes hurled against them so let them go through normal court procedures," Sanidad said.

Defense Secretary Renato de Villa said peasant leader Jaime Tadeo and other political activists convicted of criminal offenses are excluded from the grant of executive pardon.

De Villa told a press conference at Camp Aguinaldo the administration has a very clear definition of national security offenses and it does include common offenses such as murder, rape and estafa [fraud].

De Villa also denied charges that the President's order to release several detained rebels was a publicity stunt. He admitted, however, that the case of Antonio Lacaba, who was released on bail last Aug. 16 but was among those ordered released by Ramos "was just a lack of coordination between Malacanang and the PNP [Philippine National Police]."

He said Aldo and Rodora Gonzales are still detained, contrary to claims made by the TFD.

Rep. Romeo Candazo (Ind [Independent], Marikina) urged the government to look beyond the surrender of rebels and instead formulate a substantive agenda that would pave the way for lasting peace.

"We must not search for terms of surrender but for the conditions that drive the rebels to take up arms in the first place. The peace process is not a purely military question, neither should it be a mere tactical maneuver," he said.

Senators said the President should order a suspension of police and military operations against rebel groups to remove doubts on the government's sincerity in offering peace.

Sen. Orlando Mercado (LDP), chairman of the Senate Defense Committee, said he finds it inconsistent for government to order the release of rebel leaders but arrest several others.

"It seems that what is being given in the left hand is being taken away by the right hand," Mercado said.

Sen. Heberson Alvarez (LDP) said the rebels must be allowed to discuss the government's peace offer "without fear of being hounded or arrested."

NPA Rebels Take Hostages, Announce Demands

HK2708083192 Manila MANILA BULLETIN in English 27 Aug 92 p 15

[By Jay Valleser]

[Text] Cagayan de Oro City—While leftist and rightist rebels are being released in Manila, communist new People's Army (NPA) rebels in Northern Mindanao attacked a para-military unit outpost in Bonaguit, Esperanza town, Agusan del Sur, last Monday, taking seven militiamen and three civilians as hostages.

They set six conditions for the release of three Philippine National Police (PNP) officers held hostage for the past 28 days.

Reports from the 4th Infantry Division here said the heavily armed NPA rebels, led by Commanders Vicente Mandahinod, Pedro Cudaste, and Alfredo Mapano, stormed the para-military unit outpost and overpowered the seven members of the Civilian Armed Force Geographical Unit (CAFGU).

The NPAs told government troops in neighboring villages to stop the operation of CAFGU members.

Government reinforcements were sent to the area in preparation for military operations to go after the rebels in the mountains of Esperanza.

Meanwhile, NPA leaders in Misamis Oriental sent a letter to media here, stating their six demands for the release of three PNP officers whom they have held hostage for 28 days now.

The three were identified as Chief Inspector Rodolfo de la Piedra, deputy chief of the Regional Action Force; Senior Inspector Roman Andanar, and Police Officer 3 Dante Vargas.

In a letter signed by "Ka [Comrade] Oninong" of the Misamis Oriental provincial committee Front 4-A, the rebels said they are ready to release the hostages any time as soon as their demands are granted.

The NPAs' six demands are:

1. Allow self-determination for the Higaonon tribe.
2. Stop all food blockades in Nothern Mindanao.
3. Dismantle checkpoints, except one in every river town of Agusan del Sur, for increased payment to all civilian victims of bombings in the area.
4. Stop hot pursuit operations.
5. Release all political detainees locked up in the detention center in Mindanao.
6. Declare a moratorium on all military operations in the region.

They said Andanar and Vargas may be released immediately, while De la Piedra will be released a few days later to ensure compliance with the agreement, the NPA leaders said.

Misamis Oriental Gov. Vicente Emanom, head of the task force negotiating for the release of the PNP officers, said progress has been achieved by his panel. However, he refused to elaborate on the six demands.

Earlier, Chief Supt. Honesto Bumanglag, Regional Command 10 director, said he granted the request of Emano to stop hot pursuit operations while peace negotiations are going on

Communist Movement Supporters Surrender in Samar

HK2708124992 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 27 Aug 92

[Dindo Lagunoy]

[Text] Eight hundred twenty-nine followers and mass-based supporters of the New People's Army, from four barangays in the mountains of Las Navas and Katubig, Northern Samar, have formally returned to the fold of the government.

Major Joel Cabides of the Philippine Army [PA] said the rebels from Las Navas were formally welcomed back to society by Vice Mayor Floribes Provinicia, who said that this last group of returnees signals the restoration of peace in her town. She also praised the officials and men from the 19th PA Infantry Commando Battalion for their efforts, including their special operations team's SDO [search and destroy] activities.

Asian Consortium Offers To Lease Subic Land

HK2708085892 Manila BUSINESS WORLD in English 27 Aug 92 pp 1, 5

[By Maricar S. Bautista]

[Text] A consortium of six Asian companies yesterday presented to President Ramos a $2-billion sub-lease plan to develop the former Subic Naval Base.

The six companies are: Tuntex Group of Taiwan, Daewoo of South Korea, Marubeni of Japan, City-Realty Co., which is a subsidiary of the Bangkok Bank, Asia World of Taiwan and Salim Group of Indonesia.

Trade and Industry Secretary Rizalino Navarro, in a press briefing in Malacanang, said the consortium, led by Tuntex chairman Chen Yu-how, met President Ramos to express their intention of joining in the bidding for the development of Subic.

The proposal, said Mr Navarro, was for the group to lease areas of the former military base for tourism and commercial purposes.

In turn, the group will sub-lease the areas to other investors.

Mr Navarro said the group is eyeing the proposed changes in the allowable lease period of 25 years plus another 25 years renewal to 50 years lease and 49 years renewal.

The areas the group proposed to develop do not include areas set aside for light and heavy industries. Also included in their proposal is the use of Cubi Point as an airport.

Mr Navarro said the meeting was the first firm proposal from potential investors to Subic. Olongapo City Mayor Richard Gordon was appointed by the President to head the Subic Bay Development Authority, which has been granted an initial capital of P500 million.

Although the land-use plan for Subic has not been drawn up and the bidding date not yet known, Mr Navarro said the Asia consortium assured Government they will accept the minimum rental bidding guidelines to raise revenues.

Mr Navarro told reporters that leasing the Subic area to a consortium will make it more convenient for Government. However, he added, it will not mean higher returns. "You can forget the trouble of parcelling it off but you also get more from parcelling it off yourself," he said.

The group gave the President a rosy picture of what may happen to Subic if they were allowed to lease it. For one, the potential job generation can go as high as 300,000.

Mr Navarro also said the group has plans that can be put in place immediately. If the bidding will commence this year, they can start developing Subic early next year.

He, however, added that the group is still looking for a Filipino company that will be their partner in the development of Subic.

He said it is not required by law that the consortium should have a Filipino member but it would be to their advantage if they had one.

Central Luzon Rehabilitation Committee Formed

HK2608145192 Manila DZXL Radio Mindanao Network in Tagalog 0700 GMT 26 Aug 92

[Italicized passages in English]

[Text] Today, the Lower House formed an oversight committee in charge of supervising the rehabilitation and reconstruction efforts in areas in Central Luzon affected by the eruption of Mt. Pinatubo. The committee was formed after the Lower House ratified the proposal submitted by Congressman Antonio Magsaysay Diaz of Zambales. The legislators of the Lower House have agreed on the need to oversee the Central Luzon rehabilitation and reconstruction work because of the millions of pesos involved.

Congressman Antonio Diaz hopes that, through this ad hoc committee, the projects needed to rehabilitate the areas in Central Luzon affected by the Mt. Pinatubo eruption will be *rationalized.*

The chairman of this committee will be Congressman Diaz, and his vice chairmen will be Congressmen Andrea Domingo of Pampanga, Herminio Aquino of Tarlac, Felicito Payumo of Balangan, and Renato Diaz of Nueva Ecija.

Total Debt 'More Than Doubled' Since 1986

HK2608081192 Manila BUSINESS WORLD in English 26 Aug 92 p 1

[By Benjamin B. Cruz]

[Excerpt] The Philippines' total debt has hit the P[Philippine pesos]1-trillion mark and beyond, with the combined foreign and domestic debt stock projected to reach anywhere from P1.09 to P1.5 trillion by yearend.

Official figures furnished yesterday by the National Economic and Development Authority [NEDA] and Department of Finance to the House committee on appropriations show that the country's indebtedness to date has more than doubled from the 1986 level of P422.6 billion when former President Aquino assumed power.

The whopping jump of the principal debt convinced ranking members of the committee that the eight-year debt policy of the Government, anchored on non-unilateral and negotiated approaches, has been a "failure" and urged the Executive to adopt a "more innovative" strategy.

As of last night, about a hundred congressmen promised to vote for a debt cap bill which limits loan payments to 12% of the country's export earnings.

But NEDA Secretary-General Cielito Habito reiterated to congressmen the Palace's stand on debt, noting that Congress should not be alarmed by the doubling of the total debt stock "for it is being restructured every year."

In 1986, according to Government's figures, domestic debt (incurred by servicing the 18% interest of Treasury bills issued by the Central Bank to mop up liquidity) reached P189.8 billion; foreign loans, P1.8 billion and CB [Central Bank] losses assumed by the State, P100 billion or a total of P422.6 billion. For this year, the domestic debt has reached P411.2 billion; foreign, P382.7 billion, and CB losses, P300 billion or a total of P1.09 trillion. In six years, the debt stock increased by P670.8 billion.

This year's debt figures, however, might be overstated. Makati Rep. Joker Arroyo questioned the DoF's [Department of Finance] estimate of P382.7 billion in foreign debt. With the total obligations to foreign creditors amounting to some $30 billion, the Makati solon said the peso equivalent of this should be about P750 billion, thus bringing the overall total indebtedness to P1.46 trillion.

For next year, Government has earmarked P126 billion to service both the interest and part of the principal of the country's total debt, an amount which Congress cannot touch. Of this allocation, which compromises 40% of the total proposed budget for 1993, P92.8 billion will be spent on the interest payments (P71 billion for domestic and P21 for foreign debt) and P33 billion will service the principal (P9.8 billion domestic and P23 billion foreign). [passage omitted]

Thailand

Article Views Country's Attendance at NAM Summit

BK2808035792 Bangkok BANGKOK POST in English 28 Aug 92 p 4

[By Anurat Maniphan: "Thailand Moving Closer to Non-Aligned Movement]

[Text] As senior officials of the Nonaligned Movement (NAM) meet in Jakarta today, Thailand expects to obtain formal assurance that it can attend as observer in the upcoming summit of NAM heads of state.

Thailand has applied for observer status to the 10th NAM summit scheduled to take place in the Indonesian capital from September 1-6.

It would be the first gathering of heads of state of 105 largely Third World countries since the collapse of the Soviet Union at the end of last year brought the end of the Cold War and produced a "unipolar" new world order.

Thailand is looking for "more friends" in this new order and is attracted in particular to the movement's new emphasis on economic co-operation among poorer countries of the South.

Although Thai officials stress that there is much to be considered yet, there has been no denial that observer status is being sought with a view to the possibility of full-fledged membership when the time is right.

"Many friends" have expressed support for Thailand's decision to apply for observer status and host Indonesia has allowed Thai representatives to sit in on meetings from the senior officials' session today, sources note.

But Thailand "would like to proceed in a proper manner" and apparently is waiting for some formal assurance of its status before firming up plans for sending a delegation to the summit opening on Tuesday.

A recommendation from senior officials of NAM is a necessary first step to formal approval by heads of state which will follow consideration by foreign ministers meeting on Saturday and Sunday.

Once assured of its status, Thailand would send a delegation that could be headed by Foreign Minister Asa Sarasin or another minister of appropriate ranking, a source said.

As observer, Thailand would be in the company of China which will be attending a NAM summit for the first time in that capacity.

China's application for observer status was endorsed by a meeting of NAM foreign ministers in Bali in May.

Thailand's decision to seek observer status with NAM is in line with its wish to act in harmony with its "close friends," a senior official has pointed out.

Thailand is the last member state of the Association of Southeast Asian Nations (ASEAN) to seek a status with NAM.

Indonesia is a founding member of the movement launched in 1961. Malaysia and Singapore are NAM veterans. Brunei's membership was endorsed by the NAM co-ordinating bureau in New York in July and the Philippines' membership awaits approval from the upcoming summit.

In the new international order, Thailand has become more conscious that its horizons do not stop at Southeast Asia.

"The world is not Southeast Asia ... There is a need for shared responsibility in order to ensure enduring peace and prosperity," one official said.

"Smaller countries need to enhance their political position by strengthening their economic situation," he added.

Thailand believes it has much to offer NAM politically and economically. The country's re-emergence from the events of May has shown that it enjoys political stability and resilience.

Economically, prosperous Thailand believes it can contribute to NAM by serving as a link between poorer countries of the South and between countries of the richer North and South.

NAM ministers in May agreed that a coordinating committee should be set up to harmonise the activities of NAM and the Group of 77, which is made up of developing countries who came together for economic cooperation.

The Thai decision to move for status with NAM is also a "vote of confidence" in the movement, one source emphasised.

A Thai delegation headed by then Foreign Minister Prince Wan Waithayakon attended the Bandung Conference in 1955 that is accredited with having crystalised the basic principles of nonalignment.

But there was no Thai representative at the gathering in Belgrade six years later that launched the movement.

NAM in the early days was preoccupied with problems of ex-colonies that were predominant among its member states.

Thailand was a staunch "ally" of the United States through the 1960s and allowed the US to set up and maintain military bases in the country until 1976, a source noted.

A central requirement for a country seeking to "belong" to NAM is absence of any foreign military bases.

Thailand did not make any approach to NAM after the closure of US military bases because the movement became a forum for confrontational, bloc-to-bloc politics, the source said.

Critics have alleged that former Soviet "satellite" states dominated the movement from the late 1970s.

Indonesia will be taking over chairmanship of NAM from Yugoslavia which hosted the last summit in Belgrade in 1989.

Besides receiving China, and probably Thailand, as observers, Indonesia will also be presiding over the reactivation of Cambodia's membership.

The Cambodian seat at NAM has been left vacant since the sixth NAM summit in Havana, Cuba in 1979, coinciding with the outbreak of war in Cambodia following Vietnam's military intervention in December 1978.

Cambodian Head of State Prince Norodom Sihanouk, a founding member of NAM, will lead a delegation of the Supreme National Council (SNC) which embodies Cambodian sovereignty through this transitional period.

The 27-member delegation represents all four factions seated in the SNC—including the Khmer Rouge, Phnom Penh and non-communist factions loyal to the prince's son Prince Norodom Ranariddh and former prime minister Son Sann.

Situations in Cambodia and Bosnia-Hercegovina are expected to be among key political issues discussed.

Indonesia played a prominent role in bringing a peace settlement in Cambodia that is meeting trouble in implementation. Islamic member states of NAM are concerned with the treatment of Muslims and Croatians by Serbs in Bosnia-Hercegovina.

On the economic front, Indonesia has warned the West against using human rights or environmental issues as conditions for granting aid. It has also stressed its opposition to protectionism and closed trade blocs.

Besides heads of state or representatives from 105 NAM member countries, and observers, a large number of guests from Western governments, the United Nations and international governments will attend the summit.

Efforts To Counter Separatism in South Viewed

BK2808032192 Bangkok BANGKOK POST in English 28 Aug 92 p 4

[Text] Back in late 1989, two related peace accords were signed—one between the Thai Government and the outlawed Communist Party of Malaya (CPM) and the other between Malaysia and the CPM—to put an end to four decades of armed insurgency along the Thai- Malaysian border by communist guerrillas. The cessation of violent activities by the CPM and the demise of the Communist Party of Thailand [CPT] has left the separatist movement as the only security threat in the southernmost provinces of Thailand.

Although the number of the separatists, or bandits to be exact, has dwindled as a result of government suppression efforts compounded by a recruitment problem, the movement can still, from time to time, strike fear or terror into the civilian population in predominantly Muslim provinces through the use of terrorist and banditry tactics such as kidnapping, bombing, arson and extortion. The bombing at Hat Yai railway station over a week ago which left three innocent people dead and more than 70 others injured was a glaring example of the movement's potency.

The use of force to suppress the bandits may succeed in driving them deeper into the jungle, killing or injuring some of them. It could also have a psychological effect on the civilian population who may feel more secure. It is by no means the best solution, as history has proven on various battlefields that to fight a guerrilla war is to fight a no-win war. It is also costly for the Government in terms of human and property losses.

Truce talks, which have been quietly undertaken by the Fourth Army Region with leaders of the two mainstream Muslim secessionist organisations, Phatthani United Liberation Organisation (PULO) and Barisan Revolusi National (BRN), with the help of intermediaries, will offer a better option to end the strife which has taken a high toll on both sides, especially the civilians, over the past few decades.

According to Fourth Army Region commander, Lt-Gen Kitti Rattanachaya, the armed struggle by PULO and BRN is expected to cease at the end of this year. He said that assistance, similar to that given to the CPM guerrillas, will be extended to defecting separatists to enable them to return to society and participate in nation-building.

Despite this well-intentioned initiative, it must be remembered that one of the reasons young Muslims were driven to join the secessionist ranks was unjust treatment or persecution by government officials who abused their authority. Because of religious and cultural differences between the local people who are mostly Muslims and government officials who are mostly Buddhists and also because of mutual distrust, a misunderstanding over a minor issue can easily blow up out of all proportion and become an open conflict between the two parties. A case in point was the Education Ministry's ban, some years ago, on female Muslim students wearing hijab or the traditional Muslim headdress. The order which was apparently issued out of shortsightedness and insensitivity caused a major uproar among Thai Muslims.

Unlike the CPM or the CPT which were outlawed Marxist parties posing a problem open to settlement by political means, handling the secessionist issue requires more than just diplomacy and political dexterity. Sensitivity, extreme tact and an understanding of religious, social and cultural problems are essential. Any mishandling might provoke dissent and mistrust between the Muslim and non-Muslim population.

Development projects must be introduced in the southernmost provinces to create jobs for tens of thousands of young men and women who would otherwise flock into Malaysia to seek jobs or hang around without anything to do. Unemployment can easily breed discontent, particularly among people who feel they have long been ignored and not treated by the state as equals among their fellow countrymen.

It is welcome that the PULO and BRN have opted for peace talks after years of unnecessary bloodletting. Hopefully, these talks will usher in the peace and prosperity which has proven so elusive in the four southernmost provinces.

Need for Greater Political Awareness Viewed

BK2508030792 Bangkok BANGKOK POST in English 25 Aug 92 p 4

[Editorial: "Breathe New Life Into the Election Campaign"]

[Text] Whether it was deliberate or unintentional, the leakage of a PollWatch special "watch list" detailing the identities and party affiliations of some 146 politicians suspected of vote-buying has raised a storm of controversy. Not surprisingly, it prompted a barrage of indignant protests and bitter complaints by those named in the list. Although most of those who were implicated belong to the so-called "satanic" parties and the hurriedly set-up Chat Phattana Party, the list also included some well-known names in the pro-democracy camp. In a fit of rage, Democrat Party Secretary General Sanan Kachonprasat challenged the PollWatch chairman to a gun duel or a fist fight while New Aspiration Party chief Chawalit Yongchaiyut was no less upset.

It has now become immaterial as to whether the allegations of vote buying by these politicians can be substantiated because the negative impact from the disclosure of the list has already taken its toll. Not that the disclosure has produced any startling new information—at most it only serves to reinforce the widely held public belief that a large number of politicians of all stripes have been engaged in the unholy practice of buying votes. Politicians and their parties may differ in their political and economic stances, but come polling day most will employ all possible means to muster as many votes as possible, including the dumping of whatever amounts of money they can afford. This is perhaps with the exception of a smaller group of idealistic politicians who are dedicated enough to the democratic cause to stay the course without outright vote buying.

One of the adverse consequences of this particular controversy has been further erosion of public faith in the parliamentary system. While politicians and parties that adhere to firm political principles stand a good chance of an electoral win in Bangkok and provincial town areas where political awareness has heightened following the tumultuous May events, most analysts are resigned to the prospect that the situation is unlikely to improve in the outlying provincial areas where money will remain the key determining factor. A general sense of apathy, indicated by the lacklustre public response to political campaigning so far, is therefore not surprising. Taking other negative factors such as the inconvenience posed by the rainy season into account, it remains a big question whether the voter turnout this time will match that in the previous poll.

That vote buying has become so ingrained in our political culture is unfortunate. The ugly spectre of another damaging political polarisation already looms large in light of unofficial forecasts that parties and elements which were condemned for their subservience to dictatorial powers following the previous election may be able to return substantial numbers of MPs through their traditional vote-buying practices. What is within the realms of possibility is another situation where corrupt and undemocratic politicians make the same claim on constitutional legitimacy through the majority seats they can muster together in the House of Representatives—but lacking the moral legitimacy to rule in the eyes of the public.

There is not much time left to avert this unpromising prospect. Calling on the politicians who are bent on buying votes to stop doing so is a naive and futile exercise. What little hope there is left lies in concerted efforts by the democratic forces—specifically the assortment of non-governmental organisations—to go all out to rejuvenate the general public's political awareness of the importance of the upcoming elections and how their collective votes could shape the country's political future. The Government must also redouble its efforts to ensure that various forms of electoral fraud are kept to a minimum so that its final task of holding a free and fair election is accomplished.

Problem of Low Voter Turnout Examined

BK2608050392 Bangkok THE NATION in English 26 Aug 92 p A6

[Editorial: "Toward a Higher Voter Turnout in Sept 13 Poll"]

[Text] The Public Relations Department has predicted that, based on its findings in a public opinion poll in July, about 53 per cent of eligible voters in Bangkok will vote in the upcoming general election. If this turns out to be true, it will be the highest voter turnout recorded in Bangkok since 1975.

Both the Interior Ministry and the Bangkok Metropolitan Administration are more modest in their expectations. They would be more than happy if the turnout reaches the same level of 42.57 per cent as in the last election on March 22, 1992. This was unusually high, considering the average turnout in Bangkok in six previous elections since 1975 was only 34 per cent.

Unhappy with the low turnout, a group of business leaders and academics is campaigning to encourage more Bangkok voters to cast their ballots in the Sept 13 election. Their goal is to increase the turnout to 51 per cent, which seems rather too ambitious in this election with few issues that really excite Bangkok residents.

In the March 22 election, Maj Gen Chamlong Simuang of the Phalang Tham Party injected a great deal of excitement by standing for a House seat in Bangkok's Constituency 2 for the first time. He also succeeded in rousing the Bangkok electorate to send a clear message against military intervention in national politics by voting for Phalang Tham's candidates. Consequently, Phalang Tham won 32 of the 35 House seats in Bangkok.

In the current election campaign the urgency for Bangkok voters to repeat the message seems to have decreased, especially after the replacement of unpopular top commanders with career officers who have opposed military intervention in national politics. The new rivalry between the Phalang Tham and Democrat parties makes the race in several of Bangkok's constituencies more interesting. And Phalang Tham's persistent attempt to sell Chamlong as the most trustworthy contender for the next premier may also convince many Bangkokians to vote for his party and indirectly help improve Chamlong's political prospects. Still the turnout will likely be lower than 42 per cent.

Outside Bangkok, the turnout in the provinces usually is more than 50 per cent. But vote-buying and electoral fraud play a big part in keeping the provincial turnout above the 50 per cent mark. In the 22 election, the turnout in Mukdahan, Nan, and Phrae provinces reached 87, 84, and 80 per cent respectively. But can we assume the level of political consciousness in Mukdahan was more than double that in Bangkok? We believe not.

Non-voting is thus not the problem in the political participation of rural voters. But voting carelessly, such as by selling vote and voting under duress because intimidation from influential canvassers, are vital concerns. Therefore the government's campaign to encourage provincial voters to return home to cast their ballots on Sept 13 appears a misguided policy.

The Labour Protection Department has issued a formal announcement requesting "cooperation" from all employers to allow their employees take leave with pay on Sept 12-14 in to order vote on Sept 13 (a Sunday) if the constituencies are upcountry. The department says it will make random checks on those who take special leave and punish any found to have abused its generosity.

This campaign, though clearly well-intentioned, can cause disruption in many factories that must stay open seven days a week. Those who are eligible to vote will naturally be tempted to take three-day leave, leaving behind those who are under 20 who numbers may not be enough keep a factory operating normally. Those who are over 20 may demand extra overtime for not leaving.

Assuming many eligible voters will go home to vote, they may not know enough about the various candidates to make an intelligent choice on their own. This increases the likelihood that the returnees will fall easy victims to vote-buyers. Selling votes will be a convenient way to cover travelling expenses.

A less disruptive alternative this this three-day leave is to permit voting by mail. This would need cooperation from the postal service and some careful planning to plug all loopholes against cheating. Eventually the absentee-voting right should also be extended to Thais living overseas.

In Bangkok the three-day leave will likely drive down the turnout to far below 50 per cent. A large number of Bangkok families will take a special vacation outside the capital city. To them the satisfaction of a vacation comes first.

Vietnam

Russian Envoy on Spratlys, Cam Ranh Bay

BK2708151592 Hanoi VNA in English 1503 GMT 27 Aug 92

[Text] Hanoi VNA August 27—Russian Ambassador R.L. Khamidulin held a press conference here today on the situation in the Russian Federation.

Answering a question of Japanese NHK Television of Russia's attitude toward the Truong Sa [Spratly] islands issue, the ambassador said:

"The Russian Government sympathizes with Vietnam's stance in the settlement of the Truong Sa issue, i.e. through constructive and peaceful negotiations and not to let it degenerate into a regional conflict".

Asked by a XINHUA correspondent whether Russia would resume its military presence at Cam Ranh port of Vietnam, Ambassador Khamidulin said:

"The Russian Federation would like to continue using the Cam Ranh base but only with Vietnam's consent because Cam Ranh belongs to Vietnam's territorial sovereignty." The ambassador added that if everything goes according to plan Vietnam and Russia will discuss this question late this year.

A BBC correspondent asked the ambassador to comment on the broadcasts of Irina Radio in Moscow. The ambassador said:

"Irina is a private radio set up on the basis of the press law of the Russian Federation. It does not represent Russia's policy. However, any of its broadcasts which is hostile or unfriendly toward Vietnam will receive an appropriate reaction from the concerned Russian offices".

Trade Relations With Canada Assessed

BK2808070792 Hanoi Voice of Vietnam Network in Vietnamese 0015 GMT 21 Aug 92

[By Tieu Lien]

[Summary] "Vietnam and Canada have established diplomatic relations for 19 years now and over the past two years, those ties have been strongly developed thanks to good mutual understanding. To mark this new step of development, on 1 July 1991 Canada officially opened its diplomatic representation in Hanoi. Foreign observers have regarded this event as an indicator of Canada's support for the ongoing renovation initiated by the Seventh Congress of the Communist Party of Vietnam.

"According to Mr. Marius Grinius, an official in charge at the Canadian representation in Hanoi, by maintaining its presence in Vietnam, Canada can better support Vietnam's efforts to carry on the market-oriented economic development program and broaden its external relations with the world outside. Since early 1990, Canada has initiated trade exchanges and joint investment projects with Vietnam. Canada has imported frozen shrimp from Vietnam and has exported machinery and equipment in support of oil and gas exploitation in Vietnam."

Though the volume of trade exchanges between the two countries remains modest, as far as investment is concerned, Canada ranks fifth on the list of Western countries making investment in Vietnam. Canada's most important investment is in oil and gas. Canada has signed two contracts on oil and gas exploration off the coasts of our country's Trung Bo and Nam Bo areas. The contracts are valid for 20 years and the initial investment capital amounts to millions of dollars.

Since the beginning of this year, Canada's trade ties with and investment in Vietnam have gained new momentum. Many Canadian trade delegations have visited our country to study prospects for trade exchanges and business opportunities here. Many Canadian businessmen maintain that now is the time to promote trade exchanges and business cooperation with Vietnam.

"The scope of trade ties between the two countries and Canada's investment in Vietnam remain modest because they are at the initial stage. Nevertheless, both sides have reached good mutual understanding in many domains.

"Furthermore, Vietnam and Canada have conducted joint research projects on rural development, urbanization, social development, household economy, and so forth. While in Vietnam, many Canadian scientists and friends showed their understanding for the difficulties encountered by the Vietnamese people and voiced their support for Vietnam's economic reform program."

Council of State 24-26 Aug Meeting Reported

BK2708160392 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 27 Aug 92

[Text] The Council of State held a meeting from 24-26 August with Chairman Vo Chi Cong presiding.

1. The Council of State prepared an agenda for the first session of the Ninth National Assembly with the following main points:

—To hear the Electoral Council report on the results of the election of deputies to the Ninth National Assembly and of the election of a committee to verify the National Assembly deputies' credentials.

—To elect the chairman and vice chairmen of the National Assembly, and members of the National Assembly's Standing Committee.

—To elect the president and vice president of the state; the prime minister; the chief justice of the Supreme People's Court and the procurator of the Supreme People's Organ of Control; the chairman, vice-chairmen, and members of the National Assembly's Nationalities Council; the chairmen, vice-chairmen, and members of various committees of the National Assembly.

—To ratify a proposal of the president of the state on the setting up of a national defense and security council and a proposal of the prime minister on the (?implementation of various tasks).

—To pass various draft laws, namely the draft law on the organization of the government, the draft law on the organization of the people's court, and the draft law on the organization of the people's organ of control.

—To give its views on various draft laws, namely the revised draft law on land and the draft law on the SRV national border.

—To hear a government report on the situation regarding the implementation of various socioeconomic development tasks as well as on the situation regarding foreign relations activities during the first half of 1992.

—To examine a report on the activities of the Council of State, the Supreme People's Court, and the Supreme People's Organ of Control during the period from the (?11th) session of the Eighth National Assembly to the first session of the Ninth National Assembly, and on some other important issues.

The Council of State examined all aspects of preparations for the session, gave its views on how to conduct this session in accordance with new stipulations in the 1992 Constitution and in the law governing the organization of the National Assembly, and asked responsible organs to urgently and satisfactorily prepare various reports and estimates to be presented to the National Assembly.

2. The Council of State discussed and gave its views on the revised draft law on land presented by the Council of Ministers after hearing the views of the representatives of the National Assembly's Economic, Planning, and Budget Committee, and Judicial Committee.

Based on the stipulations in the 1992 Constitution, on those renovative views of our state on land, and on those practical experiences previously obtained in managing and utilizing land, it is decided that revising the law on land that is now in force is a pressing demand for the country's economic stability and development at present in order to reassert the judicial system toward land, put the management and use of land into a close-knit pattern, effectively exploit land potentials, mobilize all the latent potentials at home and abroad to step up production and business, and develop the multisectoral commodity-based economy along the socialist direction.

The Council of Ministers should go ahead with reviewing the task regarding land management and land use nationwide in the past, particularly since the promulgation of the law on land in December 1987; and should, together with the National Assembly's Judicial Committee and Economic, Planning, and Budget Committee, urgently rectify the afore-mentioned draft law in order to present it before the Ninth National Assembly to get its views at its first session.

3. The Council of State heard a representative of the Council of Ministers present a draft law on the SRV national border and the views on this draft law from the National Assembly's Foreign Relations Committee and Judicial Committee.

The law on the SRV national border stipulates our state's right to define, manage, and defend the national border in order to build a border of peace and friendship with those countries sharing the common border on the basis of respect for each other's independence, sovereignty, unification, and territorial integrity in conformity with the international law.

The Council of State gave its views and assigned the Council of Ministers' Drafting Committee and the National Assembly's Foreign Relations Committee and Judicial Committee with the task of overhauling this draft law in order to present it before the National Assembly to get its views at its first session.

4. The Council of State heard the Electoral Council's report on the results of the elections of deputies to the Ninth National Assembly. The Council of State approved the conclusions concerning the elections made by the Electoral Council. The election of the Ninth National Assembly was a splendid success. Voter turnout was high, thus manifesting the people's confidence in the party's leadership and their awareness of the citizen's rights and obligations in the elections. The election of 395 deputies to the Ninth National Assembly has symbolized the great unity of the people. These deputies represent the intelligence of the people throughout the country.

The Council of State commends the people and combatants throughout the country, the Vietnam Fatherland Front Central Committee, mass organizations and societies, echelons and sectors from the central to grass-roots levels, and cadres and personnel responsible for the elections for their efforts in promoting the citizen's rights and obligations, seriously implementing stipulations in the law on National Assembly elections, and organizing the elections in a democratic fashion and in accordance with the law.

5. At the recommendation of the Council of Ministers, the Council of State decided to award the Labor Hero Title to Comrade Phan Xuan Yen—a war veteran with a one-quarter disability category—director of the Tan Lap Wood Processing Factory in Ngo Quyen District, Haiphong Municipality, for his outstanding achievements in production, business, and social welfare activities, thereby setting a good example for other war veterans.

6. At the recommendation of the chief procurator of the Supreme People's Organ of Control, the Council of State decided to appoint a number of procurators to that organization.

Groups Covered Under New Health Insurance Laws

BK2808094392 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 21 Aug 92

[Text] On 15 August 1992, the Council of Ministers issued Decree No. 299 promulgating the regulations governing the application of a health insurance policy which will come into effect as of 1 October 1992. Under these regulations, the new health insurance policy is to be implemented and managed by the state and serves the purpose of gathering contributions by individuals, collectives, and society to improve the quality of medical care and treatment.

It is compulsory for the following to comply with the above-mentioned regulations:

—In-service cadres and office and manual workers, retirees, and personnel under disability compensation programs;
—Employers using people to do administrative or professional work;
—Party organizations, mass societies, and social organizations under state payroll;
—State business institutions, including joint business establishments in the Armed Forces;
—Non-state business institutions employing 10 or more workers;
—Joint business ventures with foreign countries;
—Organizations or offices representing foreign countries or international organizations in Vietnam and employing Vietnamese citizens; and
—Other participants in the health insurance program on a voluntary basis.

Recipients of hospital fee exemption or reduction programs still have to comply with Article 3 of Decision No. 45 of the Council of Ministers.

Electoral Council, VFF Review Elections

BK2708124992 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 26 Aug 92

[Text] In Hanoi on 25-26 August, the Central Electoral Council and the Vietnam Fatherland Front [VFF] Central Committee jointly held a conference to review the tasks of the Front during the elections to the Ninth National Assembly.

Attending the conference were Vo Chi Cong, chairman of the Council of State; Le Quang Dao, chairman of the Eighth National Assembly; Nguyen Huu Tho, chairman of the Presidium of the Vietnam Fatherland Front; Truong My Hoa, secretary of the Communist Party of Vietnam and chairman of the Vietnam Women's Union; many members of the Central Electoral Council and Electoral Committees, and chairmen of Fatherland Front committees from provinces and cities throughout the country.

Delegates to the conference delivered speeches and reports unanimously stressing that during the elections to the Ninth National Assembly, Fatherland Front committees in provinces and cities satisfactorily fulfilled their tasks in accordance with the law and schedules, thus ensuring democracy, meeting new requirements for the Ninth National Assembly, and contributing to the success of the 19 July general elections. The most striking feature was the consistency in holding consultative meetings by localities to sound out and pick up nominees for the Ninth National Assembly election.

Ideas collected from these meetings were condensed, studied, and reviewed by the Fatherland Front committees before they established their list of candidates. However, at a number of localities, rigid and coercive phenomena were still prevalent. The number of non-party members who won in the election was very small; while no candidates from the industrial and handicraft sectors won in the election.

Addressing the conference, Chairman Vo Chi Cong commended the Vietnam Fatherland Front for its achievements and contributions to the general elections during the past period, thereby bringing about a significant benefit to the people and greatly contributing to stabilizing the politico-socioeconomic situation of the nation. It can be said that in the Ninth National Assembly election, the Vietnam Fatherland Front has manifested its high sense of responsibility before the people and toward the nation's developmental cause. The front has strived to overcome numerous difficulties and has made positive contributions, together with the Central Electoral Council and other electoral agencies, to satisfactorily fulfill all the assigned tasks.

Fiji

Parliamentary Panel To Review Constitution

BK2808075692 Melbourne Radio Australia in English 0500 GMT 28 Aug 92

[Text] The Fiji Government has announced moves to initiate a review of the country's controversial constitution. Cabinet statement said that a joint parliamentary committee will be set up soon to begin discussions on the constitution.

The announcement follows an undertaking given in June by Prime Minister Sitiveni Rabuka to the Indian dominated Labor Party in return for its support for his election.

Fiji's opposition parties accused the country's constitution of being racially discriminatory and undemocratic.

Indian Leaders Welcome Review

BK2808070292 Hong Kong AFP in English 0552 GMT 28 Aug 92

[Text] Suva, Aug 28 (AFP)—Political representatives of Fiji's large Indian community Friday welcomed the government's decision to set up a parliamentary committee to review the country's allegedly racist constitution.

The Fiji Labour Party (FLP), which holds 13 of the 27 seats in parliament allocated to ethnic Indians, said it would participate "fully" in the committee's work.

The National Federation Party (NFP), which holds the 14 other seats, said it hoped the review would produce a constitution that was "acceptable to all parties and one that would provide social justice and promote economic development."

Both parties have described the 1990 constitution as racist, feudalistic and undemocratic because it guarantees political power to indigenous Fijians, although they are about as numerous as ethnic Indians.

The government's announcement on Wednesday eased tensions that blew up with a public spat between Prime Minister Sitiveni Rabuka and FLP leader Mahendra Chaudry.

Last weekend, Chaudry warned Rabuka that the FLP would withdraw its support for him unless he honoured a promise made before the general election in May to review the constitution.

Rabuka dismissed Chaudry's demand as "a puff of hot air"—a statement interpreted by commentators here as proof that he believes he has enough support to survive without FLP support.

Rabuka's Fijian Political Party (FPP) holds 30 of the 37 seats reserved for indigenous Fijians and heads a coalition that includes the five-member General Voters Party, representing small minorities.

Rabuka said he was surprised at Chaudry's "unnecessary rush," saying that the government was committed to a review and that the 1990 constitution provides for one within five years.

A brief statement issued after Wednesday's cabinet meeting said: "The cabinet has decided to convene a joint parliamentary committee consisting of parliamentary party representatives to discuss and agree on a framework procedure for the review of the constitution."

In his statement Tuesday, the prime minister said that Chaudry was "obviously bent on the diminution of the indigenous Fijian majority representation in parliament."

New Zealand

Minister Announces Renewal of Fiji Military Ties

BK2808103592 Melbourne Radio Australia in English 0800 GMT 28 Aug 92

[From "International Report" program]

[Text] Business as usual in the military relationship between New Zealand and Fiji has been signalled today after a visit to Wellington by Fiji's deputy prime minister, Filipe Bole.

Like Australia, New Zealand cancelled its military links with Fiji after the May 1987 military coup, but indicated these would be resumed after parliamentary elections which took place two months ago. Our Wellington correspondent, Brendan Burns, reports while New Zealand has followed Australia in restoring military ties, the move is not without criticism.

[Begin recording] [Burns] Sitiveni Rabuka first went into Parliament, leading armed troops in May 1987. When he returned as prime minster two months ago, there was some concern in Wellington about the New Zealand Government's promise that the election which put him in office would lead to renewed military links. But today, after talks with Fiji's deputy prime minister, Filipe Bole, New Zealand's defense minister Warren Cooper announced a full and almost immediate resumption.

[Cooper] We would hope that we would have some Fijian military people (?down here). They do a magnificent job internationally in peacekeeping. Almost certainly [words indistinct] Australia, New Zealand, Fiji are concerned, but it is virtually business as usual. It is the best way to summarize it with the reservation that we have got other work we are doing with other Pacific island nations, and you can't certainly find the resources that you have had prior to 1987. But it has been a very successful meeting and I don't think there are any hitches whatsoever.

[Burns] Much of the relationship to be renewed is not strictly military. New Zealand will now again work with Australia in providing the bulk of maritime surveillance over Fiji's exclusive economic zone. But New Zealand will also resume training Fijian troops and Fiji's Labour Party, amongst other critics, is opposed to New Zealand and Australia restoring military links. There is even talk of a boycott of New Zealand goods. The Labour Party says Prime Minister Rabuka is not moving on promises to review Fiji's racially stacked constitution.

In the interim, there has been the emergence of proposals to get tax incentives to ethnic Fijians who are going into business—incentives which would not be available to other races in the country. Deputy Prime Minister Bole today defended the tax breaks for indigenous Fijians as necessary to balance the Indian community's dominance of commerce.

[Bole] An accepted belief and philosophy in the government in Fiji, even before the coup, is that affirmative actions were necessary to try and bring up the standards of participation for the various ethnic groups to a par because that, in our view, is the surest way of ensuring stability in the future.

[Burns] As for the constitutional review, Mr. Bole said that is proceeding, and that is not connected to restoration of military links with this country.

[Bole] The defense cooperation between Australia and Fiji and New Zealand does not involve rebuilding our Army or our Navy. No, it involves, in fact, that means the exchange of skills, perhaps between the two forces. I mean we are not asking New Zealand to cover that, and then give us millions of dollars so that we can have 10,000 troops in our Army instead of three, which would have (?been enough). [laughter] [passage indistinct]

I think everybody is trying to connect the restoration of relationship between Fiji and the New Zealand and Australia to the constitutional review. A constitutional review is part of a democratic process that will take place and that democratic process has already started with the election of our parliament.

[Burns] New Zealand's foreign minister, Don McKinnon, says it is hoped the review of Fiji's constitution will produce changes favorable to the Indian community, but New Zealand is not adopting a carrot and stick approach to try and induce the Fijian Government to modify the constitution. In other words, New Zealand's renewal of military links with Fiji is likely to stay in place, even if a constitutional review does not deliver any real political reform. [end recording]

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The government convenes a committee because it has a certain kind of aim. It is widely known what kind of groundwork government authorities ordinarily lay beforehand privately with each member of the committee in order to realize that aim. Should by some chance a member of the committee take an action contrary to that aim, it is certain that the member would never again be appointed by either the central government or local government. The reality of "outlook policy" reflected the government's protection policy while changing its form.

For example, with the method of exchanging information while making great use of the committee formula, and making it converge toward a single conclusion, the arrangements are all made beforehand, so management risk is avoided. It meant that industries would be given preferential treatment for both taxes and government investment and loans. If private-sector company people are participating in this, it is fully possible that they will "guide in reverse" in such a way as to be profitable to their own companies.

There is probably no expectation that a thing such as entrepreneurship in the true sense would develop in this kind of situation. One cannot but think that the same pattern as that of a child who is led by the hand by an "overprotective mother" continued to survive in Japan even after the 1970's.

Entrepreneurship should be something which gathers information on such things as markets and technology, and develops products and develops them for commercial use at its own risk. In Japan it took the abnormal form of the nation bearing the risk up to the previous stage of development of a product. And companies, thinking it was something normal, did not understand the essence of entrepreneurship. If it were done at the burden of the company's own risk from the stage of product development, originality ought to have been firmly established. There would probably also not have been this much of a flood of similar merchandise.

The development of computers, which is a typical knowledge-intensive industry, was not carried out at the companies' own risk. In 1957 the Law on Special Measures To Promote the Electronics Industry was put into effect by MITI, and this later became the start of nurturing the computer industry.

Based on the "Law on Mining and Manufacturing Technology Research Associations," which was put into effect in 1961, the "Computer Technology Research Association," whose objective was the development of mainframe computers, was established in September 1962. Three leading manufacturers participated in this, and, with the help of MITI's Agency of Industrial Technology and Science, set to work on joint development, with each company taking charge of the field in which it was strongest. It was completed in 1964 after a development period of two years and four months, and each company pushed ahead with commercial development of mainframe computers based on this technology.

On the side of computer marketing, the "Nippon Computer Corporation" (TECC) [as published] was established in August 1961 by joint capitalization by seven domestic manufacturers. The Japan Development Bank gave it low-interest loans, which had the result of inducing financing from private-sector financial institutions.

As seen with computers, all the uncertainty which accompanies development of new products has been eliminated by joint development and joint marketing. If such is the case, it is natural that a certain number of companies will advance and make bullish investments in plant and equipment. Moreover, with financing by government-related financial institutions in the background, private-sector financial institutions also judge it to be a promising industry in the future, so they make loans on a preferential basis. For Japanese industries to acquire international competitiveness as in the example of computers was an extremely natural course.

This kind of policy of protection and nurturing by the combined efforts of the government and private sector was also operating from the 1970s onward behind what is called the high level of the Japanese economy's "capacity for change."

Because of Internationalization, It Will Become Impossible for Japan To Go Its Own Way

Made in America, which America's MIT [Massachusetts Institute of Technology] Committee on Industrial Productivity wrote in 1989 analyzes in the following way the causes for Japanese companies having rapidly distinguished themselves.

"Japanese companies invested in new production plant and equipment and marketing infrastructure before demand grew, and did not mind borrowing large amounts of money in order to do so. In fact, Japanese companies have made investments in advance for the purpose of stimulating demand. Moreover, Japanese companies establish aggressive prices. In the first stage of market development they usually establish prices which are far below cost. By this method Japanese companies were able to maintain a growth rate higher then that of their U.S. competitors. U.S. companies normally do not want to employ this kind of policy because it sacrifices short-term profit, and imposes high risk on shareholders" (translated by Naoya Yoda, pages 95-96).

It appears to me that this observation shows wonderful insight into the essence of Japanese companies. Whether by the direct control or the indirect guidance of the Japanese Government, Japanese companies advanced by a form in which the state took over the risk accompanying development and sale of new products. Furthermore, it included financial assistance, and they have progressed by the Japanese-type pattern of investing in plant and equipment by depending upon loans with low interest.

In this kind of situation, entrepreneurship in Japan was something very different from that in Europe and the United States. From the very beginning, in Japan it depended on the state, and has relied on tangible and intangible assistance. It is a phenomenon unique to Confucian societies.

The problem is whether it will be possible to maintain this Japanese-type "capacity for change" in the future as well. To put the conclusion first, it will no longer be possible. International economic rules will not permit it. Viewing it even from the domestic situation, it has become necessary to liberate resources, including the human side, from concentration on companies, and change, albeit belatedly, toward improvement of national living conditions.

The first international rule is the BIS (Bank for International Settlements) target of achieving an 8-percent capital adequacy ratio. Unless achieved by March 1993, it will produce an obstacle to development of financial business overseas. In Japan's case, the "expedient" of counting 45 percent of the unrealized profit from stock as equity capital is being employed, but the recent stagnation of stock prices is a severe blow.

It is estimated that, when the 8-percent rule is applied, the rate of annual growth in bank lending will become approximately 5 percent. Actually, for about the last two years, it has subsided to about that line, so a big limit is put on company actions that are predicated on the growth rate for lending up till now of 10 percent to 15 percent a year.

The second international economic rule is general deregulation of interest rates. With a target date of March 1994, ordinary savings accounts will be completely deregulated, and this will bring about an increase in the cost of savings accounts for banks, so it will become an increase in the cost of lending, and rebound on companies.

On this point attention is given to a U.S. Government estimate. It holds that if one hypothesizes that Japan did not have interest controls, but had unregulated interest (predicated on the two cases of the rate of increase of 2.5 percent and 3.0 percent in consumer prices), depositors realized "losses" of 32.3 trillion yen in the first case and of 50.9 trillion yen in the second case from FY81 to FY90. That amount benefited the side that received the loans, and this "unearned income" will disappear by general deregulation of interest.

The third international economic rule is the realization in advanced countries of optimum allocation of resources based on complete functioning of market mechanisms. In the case of Japan, the established theory holds that allocation of resources based on market mechanisms was being carried out since the 1970's. But as we have already seen, the reality was unchanged from allocation of resources under a controlled economy because there was still state intervention.

Entrepreneurship, too, was raised on a bed of roses. But most of the factors which until now have supported the Japanese economy's "capacity for change" are fated to disappear along with application of international economic rules.

If that happens, the prominent company activity of Japan alone will probably become impossible when viewed from the factor of finance, the formation of stock prices, for example. Japan's share of the G-7 nations' nominal GNP is just under 25 percent. In contrast to this, at its peak the share occupied by the total market value of Japanese stock reached all of about 50 percent. This imbalance is the main cause which invited the subsequent collapse of stock prices.

Consequently, it is to be expected that future formation of stock prices will calm down to a level corresponding to the growth rate of nominal GNP. Low-interest, large-volume raising of funds on securities markets will become difficult, so without doubt it will naturally begin to put a brake on the research and development and plant and equipment actions of companies.

Thus it will become necessary for all advanced countries to carry on enterprise activities under the same conditions.

to say things such as that Japan alone "is the world's best in all industries" was abnormal from the start. By the world economy operating by the same rules, it will be possible to realize global optimum allocation of resources. Moreover, that is also the path that will put an end to Japan's unbalanced growth and cause precious domestic resources to turn toward raising national living conditions. (Concerning postwar industrial policy I used as a reference *Japan's Industrial Policy*, compiled by Komiya and others).

Pending Insurance System Reform Viewed

922A0301A Tokyo NIHON KEIZAI SHIMBUN in Japanese 11, 12 Jun 92—FOR OFFICIAL USE ONLY

[Unattributed article in two parts: "Movement Toward First Reform of Insurance System in 50 Years"]

[11 Jun 92 p 7]

[Text] **Disappearing Fences: Nonlife Insurance Companies Eager for "Annuities"; Smaller Companies in Difficulty; Will There Be Reorganization?**

[Boxed Item: The final report of the Insurance Council (a consultative body to the Minister for Finance) is completed, and the Japanese insurance system begins to move toward its first reform in 50 years. Looking ahead toward realization of the reform, which is expected to take place in 1995, the Ministry of Finance will begin preparation for enactment of a new Insurance Industry

Law, and life insurance and nonlife insurance companies will begin study on creating a setup for the new era. With such things as the combining of life insurance and nonlife insurance business by the same company, and the extension of business by insurance companies and other financial institutions into each other's domains, the current reform will be the start of destruction of the existing framework and of great changes in the very systems of insurance companies and the insurance industry.]

Life Insurance More Than Nonlife Insurance

"It is common knowledge in all advanced countries that life insurance is more profitable than nonlife insurance. Even if you survey the whole world, you will not find an insurance group that does not have life insurance business." Thus spoke an executive of a certain major nonlife insurance company in April of this year. Because combining of life and nonlife insurance business by life and nonlife insurance main companies and their subsidiaries, and mutual extension into the domains of banks, brokerages, and trusts were set forth in the final report, every insurance company has begun to move beneath the surface toward entering new markets.

The aim of nonlife insurance companies for the time being is to enter the annuity insurance market through life insurance subsidiaries. "With an aging society before us, we can by no means allow ourselves to omit annuity business by means of subsidiaries. At least major firms think so" (Yasushi Matsukata, president of Mitsui Marine and Fire Insurance Co., Ltd.). The largest company, the Tokio Marine and Fire Insurance Co., Ltd., on 1 June newly established a Business Research Department, and has started the work of research and planning for advancing into new fields centered on life insurance.

Nonlife insurance companies all show more desire to enter the annuity field which, with a present participation rate of about 30 percent of households, has a large margin for development, than the life insurance field, the participation rate of which already exceeds 90 percent of households. With annuity insurance, the reserve that one puts aside for future payment is large, so it also leads to expansion of asset stock. It is said that the annuity insurance market, including also company pensions, will, in FY96, approach 140 trillion yen from the 77 trillion yen estimate of FY91. To nonlife insurance companies, which lag far behind life insurance companies in total assets, the annuity field looks like a sea of abundance.

Life Insurance Companies Take Aim at Trust Field

Conversely, at present, life insurance companies are not attracted by "unprofitable" nonlife business, which is suffering under an increase of such compensation risk as the growth in compensation amounts for auto insurance, which is a leading item. Because a path of mutual extension into each other's domain has begun to be visible, life insurance companies will draw up a blueprint for advance into the securities and trust businesses. The fees paid by major life insurance companies to brokerage houses for such things as buying and selling stock amount to about 10 billion yen a year. In addition to being able to anticipate a reduction in fees, if such securities-related business as trusts of privately offered bonds expands in the future, situations for making use of the insurance company's own foothold will also increase.

In the trust field, development of business in such similar-to-life-insurance forms as testamentary trusts and insurance-money trusts is possible, so there is great significance in companies establishing subsidiaries under their umbrellas for future use. A certain executive of Nippon Life Insurance Co. says "we are planning to acquire know-how by dispatching capable people to a trust."

On the other hand, a person related to a certain city bank points out "it is inexcusable to try to stretch out one's hand to another business after not giving proper care to one's own personal appearance." The concept of equity capital is weak in life insurance companies. Vice President Nagahiro Yamamoto of the Dai-Ichi Mutual Life Insurance Co. says "if a subsidiary it has established falls into a crisis, responsibility lies with the parent company; introduction of a solvency margin (an equity-capital ratio in the broad sense) is indispensable." Advancing into a new business is also a matter of shouldering new risks, and there is also the view that "from the aspect of the strength and know-how of the main company, entrance is impossible as things now stand."

On the other hand, in the third field into which extension of life and nonlife insurance companies has been decided (injury, illness, and custodial care), entrance by both sides has begun. The health security insurance that Nippon Life began handling in April greatly exceeded the forecast of 20,000 policies per month, achieving sales of almost 100,000 policies in the two months of April and May. Already other life insurance companies are beginning preparations to follow, so it is a situation in which free-for-all competition will begin between life and nonlife insurance companies.

But big problems also began to surface because the current reform was decided on. The president of a certain major nonlife insurance company says "looking five years ahead, I do not think that all life and nonlife insurance companies will be able to be happy." Unlike the situation so far, the problem is whether small and midsized insurance companies will be able to endure while being exposed to the waves of fierce competition. Senior Executive Managing Director Hiroshi Yonemoto of Nissan Mutual Life Insurance Co. makes the observation that, "rather than the problem of what they should do in the midst of deregulation, small and midsized insurances companies have the problem of whether they understand the meaning of deregulation itself."

Voices also come from among small and midsized nonlife insurance companies grumbling that "major companies advocated entering the annuity business, so we were driven into life insurance." At a meeting of several small and midsized life insurance companies whose main offices are located in the vicinity of Shibuya there also emerged the critical lamentation that "movement of the entire debate has centered on major companies."

It Is All They Can Do To Defend Themselves

When we look at the FY91 settlements of accounts for major life insurance companies, which were published on 9 June, the unrealized profit of every company has declined by as much as 60 percent, so approximately 13 trillion yen in reserves that they thought was in their pockets ended up vanishing. It appears that among small and midsized companies are some whose unrealized profit has more or less hit bottom, so for life insurance companies that have lost strength, it is all they can do to defend their main business.

If life and nonlife insurance companies develop business in each other's domain, the little remaining structural separation of their niches will crumble easily. Whispering has begun of a scenario in which "the short-cut to nonlife insurance companies trying their hand at life insurance business is the purchase of small or midsized life insurance companies, including those connected to foreign capital" (executive of a major life insurance company), so the possiblity has also increased that reform of the system will be accompanied by a big tide of reorganization.

[12 Jun 92 p 7]

[Text] **Guiding Free Competition: Ministry of Finance Has Room for Discretion; Fear of Industry Chaos From Herd Instinct**

"The content went into things more deeply than we had expected." A certain neutral member of the Insurance Council's Comprehensive Subcommittee gives high marks to the subcommittee's final report, which indicated the direction of insurance-system reform. The report proposes relaxation of regulation in virtually all fields concerned with the insurance business, such as disbursements, tariffs, and products, and seeks a change in Ministry of Finance supervision and administration. If the path of deregulation set forth by the report is followed in an obedient manner, it will mean that the insurance industry, in which there is a strong tendency for each company to not let others get ahead of it, will face fierce competition. But the intentions of the Ministry of Finance and industry circles toward deregulation are not necessarily monolithic, so many twists and turns are expected before reform become a reality.

The Ministry of Finance will begin the work of revising such related laws as the Insurance Business Law based on the report, and as early as this month will organize a working committee made up of persons of learning and experience and so on for the purpose of developing legislation. The system reforms will become concrete during the approximately one year of work needed to revise the laws.

The Insurance Department of the Ministry of Finance's Banking Bureau emphasizes that "revision of the laws will be studied with a view to increasing the options of all insurance companies and of policyholders."

Review System of Belonging Exclusively to One Company

This reform is aimed at promoting free competition, so a premise is that each insurance company will decide on its own management judgment whether to advance into new fields. As material for one of the new choices, there is review of the "system of belonging exclusively to one company," under which a business staff member of a life insurance company is not permitted to handle products of a company other than his own. The report proposed that, in order to create an environment in which it would be easy for insurance policyholders to select many kinds of products, a system was desirable in which each life insurance company could choose either to belong exclusively to one company or to handle the products of more than one company. Approval for main life and nonlife insurance companies to combine operations in the three fields of injury, illness, and custodial care is also behind this, and there is also the aim of balancing it with nonlife insurance companies, which are putting into practice the sale of other companies' products at agencies.

Apprehension at the Degree of Relaxation

Since the content has become one in which sales channels would be selected by the management judgment of each life insurance company, the Ministry of Finance's analysis on review of the system of belonging exclusively to a single company is that "the scope of the activities of life insurance companies will expand" (Ministry of Finance executive).

But there is some difference of nuance in the way in which industry circles respond to it. "I think virtually no business staff wants to try business by selling products from more than one company" (executive of a major life insurance company); on the other hand, small and midsized life insurance companies are also showing apprehension that exclusive staff, whom they have gone to all the trouble of training up till now, might be attracted by leading products of other companies. According to the Ministry of Finance's reading of their minds, it is unclear whether life insurance companies will choose to have staff also sell products of other companies.

There are also unclear points regarding the degree to which relaxation of regulations will actually progress. The report says that, "for the time being," the sale of products of more than one company will begin with "products for which there is little fear of ill effects being produced," and adds that "it is appropriate to continue to expand their scope in stages." The Ministry of Finance will judge "products for which there is little fear

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of ill effects being produced," and confirm the "scope" within which the staff of one company sells products of another company is approved, so it is also possible to hold the view that the report guaranteed a margin for the discretion of government authorities.

Concerning life insurance tariffs, the report seeks a shift from an approval system to a reporting system, and clearly stated the direction of relaxing regulation of tariffs. And in regard also to nonlife insurance companies' system of calculation meetings, which have become the basis for identical tariffs for all companies, while recognizing the obligation to follow the net insurance tariffs that each company devises by rules of experience, the report says that it is appropriate to deregulate the added insurance tariffs which are the part for one's own company's commission.

"Still Has Only Begun"

But the Ministry of Finance discourages even a reporting system and deregulation of added insurance tariffs, saying "it will be troublesome if major companies put out wild figures by letting their vast strength operate unchecked" (Insurance Department), and so on, so it has a strong posture of doing its utmost to avoid chaos from occurring in the industry.

There is a strong possibility that the Ministry of Finance will intervene at each new phase of system reform, and that the pace of deregulation will become leisurely. It may be that all insurance companies, too, which are accustomed to acting in unison, are really hoping for that. But the report says it is "only the beginning" of deregulation (Ministry of Finance executive). There is also the aspect of being pressed to implement reforms more rapidly to the extent that deregulation lagged that of banks and brokerage houses, so it seems that a full-fledged ordeal for insurance companies is likely to begin.

[Box, p 7]

Main Points of the Insurance Council Report

1. Scope of Insurance Companies' Business
    - Promotion of diversification of insurance products
    - Dealing in public bonds and trust business of bonds offered through private placement to become possible
    - Mutual entrance of insurance with banks, trusts, and securities through subsidiaries
    - Combined operation in the casualty, health, and security fields by life and nonlife insurance main companies
2. Sale of Insurance Products
    - In life insurance sales networks, a choice of belonging exclusively to one company or selling for more than one
    - Entrance of brokers who give advice on product selection from a neutral standpoint
    - Sale of insurance by banks will be kept on hold for the time being
3. Insurance Accounting, Disclosure
    - To make the method of putting aside liability reserves for life insurance more flexible
    - To make use of classified accounting and special accounts
4. Insurance Company Form
    - Strengthening of the management checking function of the meeting of employees representatives
    - Improvement of official regulations for changing into a stock corporation
5. Supervision of Insurance Business
    - Raising the minimum amount of capital for insurance companies (currently 30 million yen)
    - Such relaxation of insurance tariff regulation as introduction of a reporting system [end box]

Large Retail Stores Experience Sales Slump

922A0300A Tokyo EKONOMISUTO in Japanese 30 Jun 92 pp 60-63—FOR OFFICIAL USE ONLY

[Article by Kankaku Securities Research Institute researcher, Miyuki Mori: "Department Stores in a Slump Because of the Collapse of the Bubble Economy and Rising Costs, Relative Ability To Finance Capital Improvements Will Widen Gap Between Stores"]

[Text] Department store sales have dropped. One of the reasons is that fewer expensive purchases are being made by corporations since the collapse of the bubble economy; another, consumers are less inclined to buy expensive, brand-name items. From now on, relative differences in how well stores do will depend on their ability to finance capital improvements.

Worst Sales Skid in History

According to figures released by the Japan Department Stores Association, department store sales were 4.1 percent lower in March 1992 than the same period last year, showing the lowest drop, with the exception of the period following the introduction of the consumption tax, since 1965, when such figures were first compiled. Sales have been on a noticeable skid since March 1991, when a 0.7-percent decline was recorded for general merchandise.

The slump in general merchandise sales is closely related to the worsening returns posted by companies in the manufacturing industry. At the height of the bubble economy, the corporate market for luxury items like oil paintings and expensive gems and jewelry expanded, stimulating a growth in department store sales. When corporate economies went bad, the area that had shown the most growth because of this luxury buying was the first to feel the effects of the corporate downturn. Later, consumers, losing confidence in the economy (to a greater extent than was warranted), also cut down on their purchases, and there was a downturn in the sales of traditionally stable items like clothing.

A change in consumer demand is another factor behind this drop in department store sales.

From the latter half of the 1980's, economic growth centered on domestic demand, and income levels continued to rise. As women began taking a more active role in society, disposable income levels for households also rose, and stable prices further served to stimulate consumer buying. The five-day work week also began to take root, and foreign travel increased sharply. As consumers turned more toward foreign products, the market for imports, spurred by the yen's appreciation, also expanded, and consumers turned toward brand-name items as well as expensive clothing and artwork from Europe and the United States. This consumer trend fit in well with the upscale image that was traditionally associated with department stores, and until 1990, it became the engine driving their sales.

Since 1991, however, a change has clearly been taking place in consumer tastes. Reflecting the economic recession, consumers began doubting their blanket preference for expensive, brand-name merchandise and shopped more critically, even for brand-name items, with the result that some sold better than others. Consumers developed a discerning eye for value, and looked for items that had an individual style and yet were reasonably priced in terms of quality.

Given more leisure, consumers also made changes in how they used their free time, and shopping itself came to be seen as a form of leisure-time activity. Department stores, traditionally seen primarily as markets to sell goods, were unable to satisfy this new consumer mood. Consumers are demanding better services.

Unable to respond fully to this change in consumer needs, department stores fell into a slump again from 1991.

Influence of Heavy Land-Value Tax

Department stores previously experienced a slump in sales during the low-growth period in the economy that lasted from the 1973 oil shock to 1983. Supermarkets, which were then showing a resurgence in strength, increased their sales by way of lowering their prices and thus took away a share of the market.

In response, department stores downsized their operations—for example, reducing their operating costs—while looking into changing merchandising (MD) policies that had fallen out of step with consumer needs. They also put their energies into renovating their stores and experienced a temporary recovery in 1980. For a real recovery, they had to wait until 1983, when an improved economy expanded consumer demand.

As we can see, department stores are extremely sensitive to fluctuations in the economy. On the other hand, there is the way their operations are structured. The problem is in their low rates of return. The profit ratio of the eight major department stores since 1985 has been only a meager 2 percent on average. Also, compared to other retail businesses, department stores see relatively low gross profit ratios coming from their sales. A major operating expense comes from personnel costs. When sales are good, these problems are not particularly noticeable, but become conspicuous when sales are showing a low rate of growth.

Another problem is the land-value tax that went into effect in January of 1992, spurring a downward trend in returns. The tax represents a heavy burden for department store owners trying to build large, branch stores on high-priced, prime real estate. According to a preliminary estimate by the Japan Department Stores Association, the tax rate for the first year is 0.2 percent, or about 21 percent of their regular profits for 1991; for the second year, the tax rate is 0.3 percent, an estimated 31 percent of their regular profits.

The land tax differs from the consumption tax in that it is more difficult to add it on to the price of a sales item. Nor, during a slump in sales, can it be absorbed by increasing revenues. For the first year, the usual response is to reduce operating expenses. From the second year on, the new tax burden shows up as reduced profits.

But the industry isn't sitting back and accepting the bad news. It is being pressured to transform itself into the type of industry that can yield high profits by effecting changes within the industry itself. There are still a number of areas that need to be reformed. But these are improvements that have to be made now or, even with a rebound in consumer spending, the industry will face poor prospects for making a basic recovery later.

Department store inventories have relied, in many cases, on the wholesaler, some of whom are entrusted with the responsibility of selecting merchandise and getting it for the store on consignment. This type of inventory keeps margin ratios low and is one of the factors putting pressure on gross profit ratios.

By being able to return unsold goods, department stores avoid the risk of unprofitable inventories, but there have been a number of instances where they have ended up relying on the sales personnel sent to them from the wholesaler. Though in the retail business, these stores have tended, therefore, to loose touch with consumer needs and trends. Probably, if they are trying to improve their gross profit ratios, a more effective strategy would be to increase their stock of items yielding high profits, based on their own merchandising efforts. Of course, careless merchandising leads to the danger of large inventories.

Merchandise sold through the *gaisho* [foreign merchant] section of department stores carries a high unit price but yields a low gross profit ratio. Ironically, because the recession cut down on the number of these sales, gross profit ratios for the February 1992 term improved. Thus, different merchandise and merchandising strategies yield different gross profit ratios. For department stores in general, the gross profit margin for apparel is somewhere between 30 and 50 percent, and the larger their stock of clothing relative to their total inventory, the higher their gross margin ratios.

Burden of Delivery Costs

Costs related to delivery, personnel, and advertising make up the bulk of a store's operating expenses and have been increasing at a rate proportional to its growth in sales. During the February 1991 period, however, store expenses grew at a rate exceeding the growth in sales. Plans to open branch stores have been put on hold for awhile, making it easier to put a short-term lid on advertising expenses. But in an industry where image is important, some midrange steps will have to be taken to find ways to cover advertising expenses in order to increase sales.

Personnel costs make up the bulk, about 40 percent, of a store's total operating expenses. Though high, they have not been growing any faster than other store expenses and have been kept down until recently by a number of factors, including few new store openings, the hiring of low-wage, part-time employees, and using sales persons sent by wholesalers.

Still, the average age of employees at the eight major department stores is high relative to other retail businesses. For department stores, the average age for male employees is 40; for female employees, 28.6; and for all employees, 34.2. Comparable figures for the employees of supermarkets, convenience stores, and specialty stores are: 31.5 for male workers, 25.5 for female workers, and 29.6 for all workers. Because of this age difference, the salaries of department store employees are higher and one of the main reasons for escalating personnel costs. Operations become more complicated as the work force ages and senior sales personnel, when switched to nonsales [managerial or supervisory] duties, are replaced by workers sent in from the wholesaler. While considering revising their inventory methods, more and more companies are thus taking a second look at these workers who are provided by wholesalers. An important future reform would include streamlining operations in order to utilize regular employees in sales.

Delivery costs increased 9.7 percent in 1989 over the previous year, and 14.4 percent in 1990, growing at a faster rate than sales. There are a number of reasons for this growth: Prices are being raised because of the labor shortage; with more people absent from their homes during the day (more women are working and there are more single-person households), more attempts at delivery are necessary; and delivery services have become less efficient because of congested roadways.

Until recently, department stores continued to provide what, in principle, are basically free delivery services as a way of attracting customers. They have avoided charging fees, fearing that a move in this direction would have negative effects on their gift-exchange business in an already overly competitive industry. After Mitsukoshi broadened its fee structure for deliveries at the beginning of the year, however, others in the industry are now actively taking a second look at the possibility of charging fees.

At present, it is said to cost from 700 to 800 yen for each item that is delivered. In the recent move to charge for deliveries, the most widely used schedule has customers paying 200 to 300 yen per item, with department stores bearing the remainder of the cost. Once customers get used to the idea of paying for their deliveries, however, it should be easier to increase these fees and include more items in the fee schedule. But in order to avoid alienating customers by charging them delivery fees, department stores will have to step up their services, and there is still some concern that, in order to do that, there will be new costs to worry about.

Department store chains are offering discount cards, most of them offering attractive 5-percent discounts. The intent in issuing these cards is to retain their steady customers and compile a customer data base. There have been delays in setting up this information system, however, and only the discount part of the original aim has been implemented, resulting in a strain on profits.

As a countermeasure, chains are lowering their discounts from 5 percent to 3 percent; or, as in the case of Isetan, charging a small membership fee; and even trying to cut down on the number of customers who are eligible for these discounts, handing them out only to their best and most frequent shoppers. However, the majority of companies, concerned about alienating customers in an overly competitive industry, have been reluctant to take such measures.

Since customers are showing less resistance to using the cards, with their increased use, stores are afraid discounted items may take up a larger and larger percentage of future sales—in which case, companies are certain to look for a remedy, either doing away with these discounts by offering other services in their place or using their data system in a way that will pay for the discounts.

Large-Scale Expansion and Investments To Increase Sales Volume

To expand their sales, department stores will have to commitment themselves to large-scale investments—opening up new branch stores, increasing their floor space, or renovating existing facilities. Compared to last year at this time, however, investments are down. One of the reasons is that some companies have already completed large-scale expansion programs and are set for awhile. But an even more common reason is that companies have had to revise their plans because of a bad business year, or because of the higher cost of opening a new store, or because of a shortage of capital. The amendment to the Large-Scale Retail Store Law that went into effect in January [1992], by cutting the application period down from eighteen months to one year, makes it easier, depending on the neighboring circumstances, to open branch stores. Though there thus seems to be little desire at present to open new branches, this can probably be considered only a passing phase.

It will 1994 before we are likely to see any real increases in large-scale department store investments. The opening of the Takashimaya branch in Shinjuku, slated for 1996, will probably be the last such opening in Tokyo for awhile. Hereafter, the target will be cities around Tokyo and other large, regional centers. This strategy is a response to the high cost of opening branch stores and the competition for space. While attending to the tasks of getting funds and securing their profits, department stores—in order to increase their sales—will be taking the road that points to large-scale expansion and growth.

For department stores, the decline in profits that started in 1991 is expected to continue into 1992. The reasons are the land tax, which was mentioned earlier, and the difficulty they are likely to encounter in increasing their sales volumes because of a cooling trend in consumer spending. A consumer resurgence is predicted for the autumn of 1992 at the earliest or the spring of 1993 at the latest, but we are unlikely to see the same kind of large-scale growth that occurred before. But it will be a firm recovery, with a solid core of individual consumer spending to support it.

Whether or not a company has the ability to invest aggressively in its facilities, even in times of falling profits, is likely to determine all the more clearly its future in the industry.

Mongolia

President Receives U.S. AID Delegation

OW2708144992 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1302 GMT 27 Aug 92—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 27 OANA-MONTSAME—President P. Ochirbat has received representatives of the International Development Agency USA, headed by Vice Director Henriette Holsman Fore, and acquainted them with the situation in the country.

The delegation was also received by the prime minister P. Jasrai today.

During the meetings possible projects on helping Mongolia from the IDA side were discussed.

Deputy Minister Urges Strengthening Tax Policy

OW2708144892 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1308 GMT 27 Aug 92—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 27 OANA-MONTSAME—"Many of newly set up firm and cooperatives tend to dodge from paying taxes", noted the deputy-minister of finance L. Purevdorj, reports the official ARDIYN ERH newspaper.

He said in an interview to the newspaper that 9.000 private businesses, more than 3000 cooperatives and 2000 companies were registered in the country, most of them in the last two years.

According to the tax law 1990 they were exempted from taxes in the first year and half of activities. Though the economic situation changed within this two years shifting to more market oriented relations, however, many companies and cooperatives consider themselves free from obligations before the state.

Such a situation dictates a necessity to strengthen the tax policy, the role of tax-inspectors and introduction of sanctions for tax dodging, noted the deputy minister.

Education Ministry Reports School Attendance

OW2708144792 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1303 GMT 27 Aug 92—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 27 OANA-MONTSAME—With opening of the 1992-93 academic year 440,000 children would go to 635 secondary schools, 97,000 children to 900 kindergardens and about 46,000 young people would attend courses at higher educational institutions, reports the Ministry of Education.

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